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School of Law and Government

A Very Political Project:
Charles Haughey, Social Partnership and the pursuit of
an “Irish economic miracle”, 1969-92

By

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**Thesis completed under the supervision of Prof. Gary Murphy in
fulfilment of the requirements for the degree of Doctor of Philosophy**

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Declaration

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Abstract

A Very Political Project: Charles Haughey, Social Partnership and the pursuit of an “Irish economic miracle”, 1969-92

By Philip O'Connor

The social partnership model initiated in Ireland in 1987 was a key factor enabling the transformation of the Irish economy and society from one of West Europe's poorest to one of its top performers in little over a decade. This policy paradigm shift, as profound as that of 1959-63, recast the economy within a few years to a new model, its future defining characteristics established by 1991.

The strategy involved exploiting emerging opportunities, particularly global finance, to drive a transformation, but also encompassed comprehensive social and institutional reform, employment growth, state industries, and a radical remodelling of social and educational provision. The combined approach was consciously conceived as an alternative route to economic modernity to solely “monetarist” or social state dismantling approaches adopted elsewhere.

Social state innovations under partnership, however, rapidly became its central concern as job creation failed to keep pace with the attrition in declining industries. But the dual social/economic strategy of partnership made it a model of international significance, not least in being instituted just as most states were retreating from “corporatism” or abandoning it altogether.

Central to the Irish transformation was a circle led by Charles Haughey, who engineered it through tight control over government and a working alliance with key forces among the social partners. In this Haughey, a modernising nationalist, realised a long-conceived policy approach he had previously attempted.

Social partnership was neither primarily an emergency response to the immediate debt crisis nor a conforming to a supposed European “norm”. Rather it was a strategy, long conceived by key groups, to resolve fundamental institutional problems at the root of Irish economic underdevelopment.

Social partnership, established in 1987-92, endured with some modifications for over twenty years, during which Ireland underwent its most dramatic socio-economic transformation in a century. Partnership was only partially and formally dissolved in 2010, many of its practices and legacy institutions continuing to shape Ireland's socio-economic development a decade later.

Introduction

This thesis focuses on the political dynamic of social partnership, and in so doing fills an important gap in the literature. What studies of comparable systems across Europe invariably conclude is that the many features unique to Ireland's "social partnership" make it a difficult-to-categorize "outlier" and that it is the domestic political factors accounting for this "exceptionalism" rather than similarities with patterns elsewhere that require elucidation.¹

Studies of Irish partnership often focus on industrial relations – an important but far from its only aspect – or structural aspects or interest conflicts within it in its later period. As regards its origins, there is a near consensus that it emerged in 1987 due to the immediate debt crisis. This thesis contends that it was neither industrial relations nor the immediate crisis that primarily account for it. Rather it resulted from a coalition of forces united by a long-term strategy to overcome the fundamental problem of what Jim Larkin jnr. called Ireland's "underdevelopment" in relation to the standards of living and development of other small, economically more affluent European states. Few studies analyse the profoundly political project it was, or its pre-history or the dynamics of its implementation in its critical formative period, 1987-91. Many erroneous conclusions are drawn due to the paucity of the historical evidential base used, which this thesis seeks to redress, much from sources hitherto little examined. A core contention is that the immediate economic crisis was less a cause than a contingent event providing a "window of opportunity" to effect a major and long advocated institutional change in Irish socio-economic governance.

This thesis argues that social partnership in 1987 represented an institutional rupture in how policy-making had hitherto occurred, and that the dramatic economic transformation achieved in the 1990s "Irish miracle" cannot be explained without the key role played by social partnership in enabling it. It does not claim that partnership *per se*, or alone, *caused* the economic take-off, but does contend that the two processes were inextricably interlinked and mutually reinforcing, with key elements of the latter enabled through the framework

¹ The salient literature is assessed in Chapter 1

provided by the former. It also argues that in the short period 1987-91 virtually all major socio-economic policy innovations of the later “Celtic Tiger” were initiated, their course, trajectory, and even many of their details, clearly established. In arguing this, the thesis reveals key policy-making events that shaped initiatives such as the IFSC and urban renewal programmes, the astute strategy towards the EU, as well as the policy decisions shaping the indigenous and FDI industries that would drive the take-off. It also traces how the social state formed through partnership was an essential corollary of its economic aspect. With these contentions the thesis challenges many orthodoxies.

Following the 3-year *Programme for National Recovery* (PNR) of 1987-90, the 1991 successor *Programme for Economic and Social Progress* (PESP) set a 10-year framework – as agreed at the NESC – that was largely successfully implemented over the following decade through a series of 3-year agreements subordinate to and derivative of it. Partnership institutions, so contended at the time of their establishment and continually challenged up to 1991, were thus successfully consolidated, only being tweaked, refined or tinkered with thereafter. The policy innovations of 1987-91 set Ireland on course to become a comparatively rich nation in contrast to what it had been, doubling its workforce, creating a progressive developmental social state and driving living standards to well above EU averages by 2004. A strategy of European “catch-up” was successfully over-achieved. Fatal policy choices by governments after 1997 would magnify the impact of the 2008 global financial crisis but, as this thesis asserts, these were not inherent in the policy paradigm of 1987-91 but arose from departures from that paradigm in key policy areas after 1997.

Politics, i.e. history, develops in a linear process of cause and effect. Leopold von Ranke, the father of modern source-based history, argued that the purpose of historical analysis is to establish “what exactly happened”. This thesis adopts a multiple-streams narrative-historical approach to trace the origins, development and politics of the various strands of the economic/social partnership idea, from its emergence in the 1940s, several attempts to realise it up to 1982, its final adoption in 1987, and the constraints and dynamics of the system that emerged by 1991, by when its future contours were clearly established and it achieved a

certain equilibrium. It identifies the factors that converged in 1987-91 that allowed the realisation of a hitherto frustrated development programme.²

At the centre of the 1987-91 social partnership project was a group of policy innovators who on several occasions previously had sought unsuccessfully to realise it. The central figure of Charles Haughey looms ever larger the closer this process is examined, not only in attempts from as early as 1969 to 1982, but also when in 1987-91 as Taoiseach he provided the central political factor driving the strategy, intervening even to shape many of its details. His role in the economic/partnership transformation initiated from 1987 was comparable to that of Lemass in the earlier 1958 paradigm shift. Yet while Lemass's *Programmes for Expansion* enjoy a near iconic paradigm-changing status in the socio-economic literature, the equally transformative *Programme for National Recovery* and PESP are ignored. Lemass and Whitaker are credited as the innovators of the earlier departure, but no such credit is accorded to Haughey, Ó hUiginn and others central to the 1987 paradigm shift. This thesis argues why this should change.

Haughey drove the 1987 paradigm shift and there was a considerable consistency in his views since the 1950s on what an economic take-off would entail, including a partnership concept similar to that eventually achieved in 1987-91. In political terms Haughey portrayed himself as the third significant activist Fianna Fáil Taoiseach. As he told his first Árd Fheis as leader, while de Valera had definitively established Irish national sovereignty and intellectual independence, Lemass had created the state-building and policy instruments to achieve the socio-economic success that was the substance of that independence. Haughey's own role would be to finally realise the potential of the structures and instruments Lemass had created. He once said that politics would have been less attractive for him if the state had not faced that development challenge.³

Haughey's views were formed by adopting reform proposals from economic and social innovators, notably among business and union circles and like-minded national leaders elsewhere, which decisively shaped the concept implemented in 1987-91, and this thesis traces this process of communication and strategy formation from the 1960s. Central to it was a concept of the productive potential

² "wie es eigentlich gewesen ist", von Ranke 1886

³ Árd Fheis speech 1980, in Mansergh, ed. 1986: 327; "had not needed", Keena 2001: 6

not only of entrepreneurs but also of organisations such as trade unions, as not primarily negative factors to be contained – a then predominant view – but rather as productive forces in themselves if enabled to pursue their interests within a common national strategy. What united the alliance Haughey assembled was in essence a nationalist programme for socio-economic modernisation.

Haughey wrote no memoirs and gave few legacy-building interviews. It is therefore notable that the one issue on which he insisted in recording his views in some detail before his death was social partnership as the key enabling factor in the subsequent economic take-off, providing “the essential bedrock on which sound public finances and progressive fiscal, social and economic policies could be firmly based”. In his view it provided the framework for an essentially social democratic transformation strategy, based on the economic plan developed by his close planning circle in 1982, *The Way Forward*. He extolled the central role played by creative exchange at the NESC, producing the consensus between the social partners, and praised both the coordinating role at the Department of the Taoiseach and as chair of the NESC of Pádraig Ó hUiginn and the “decisive but difficult role” of union leaders. He also cited the influence on his views of German social democratic chancellor, Helmut Schmidt, his closest political ally, at European level. This thesis confirms Haughey’s assertions on many such points.⁴

Haughey is a controversial figure in Irish politics. He left office in 1992 in his late sixties but was soon again a centre of attention as state tribunals investigated his rather bizarre personal finances. A popular historical literature, including memoirs by political opponents, began to impute the major decisions of his career to allegedly corrupt relationships with some wealthy individuals, but few if any such policy linkages have ever been convincingly established. Speculation on this issue has led to a serious dearth of objective studies of his political role and impact. Even academic analysts have succumbed to such views, Aiden Regan claiming that the 1987-92 governments were “dominated by the political-economic interests of senior Fianna Fáil ministers, particularly Charles J Haughey”, and attributing innovative policy shifts of the period to civil servants.

⁴ Haughey 2014

This thesis disputes such assertions. But it does not interrogate Haughey's personal affairs, though nor does it explore his other policy innovations, such as in foreign and Northern affairs or the arts, except where relevant to the central theme of his policy on social/economic partnership. This, it finds, is quite fully explicable in political process and policy decision-making terms.⁵

The thesis also traces the fundamental divide over corporatist approaches characterising the dominant political parties, Fianna Fáil and Fine Gael, and the competing experimental/conservative social democratic models of development they offered. It also seeks to account for the peculiar hostility to "corporatism" of the Labour Party, which made it an outlier among its sister parties in Europe. This forced the national-oriented element of the trade union leadership, who otherwise had a socialist orientation, into downgrading their links to the party in favour of an alliance with Haughey, as previously with Lemass. The thesis also reveals the stark divide in economic policy between the Haughey and Lynch factions within Fianna Fáil, never previously satisfactorily elucidated. This explains both the fortunes of Haughey's various partnership initiatives between 1970 and 1987 as well as the collapse of cooperative institutionalism in the 1960-70s due to Lynch's institutional conservatism, which allowed minor sectional conflict in industry escalate with disastrous consequences. The thesis also explores the conflicts over corporatist cooperation within the main social interests, establishing their political rather purely interest-driven character.

While focusing on the politics and political economy of social partnership, and restoring the role of political leadership and agency to it, this thesis does not discount structural or other co-determinants. The economy and social factors had powerful autonomous dynamics of their own. But agency remains a key variable, and the tendency in the literature to grossly understate it is challenged. Economists explaining the take-off of the 1990s often do so without even mentioning Haughey, the political-social alliance he created, or any other aspect of political agency as in any way important. This thesis challenges this economic primacy, re-asserting the centrality of political agency and politics itself.⁶

⁵ For personal finances determining Haughey's decision-making, esp, Connolly, F. 2014 and O'Toole 2009; relevant memoirs include Quinn 2005 and Brady, C. 2005; quote from Regan, A. 2012: 115

⁶ These analyses are examined in Chapter 1

The thesis builds on lengthy interviews with leading actors from the period, including two former Taoisigh, as well as public servants, union and business leaders and others. While these are only sparsely referenced, mostly for space reasons, they provided insights into the period and into what central players believed they were doing. They also helped clarify events and illuminate relationships, agendas and conflicts. Such retrospective subjective testimony must necessarily be treated with caution and employed only in an ancillary role. It is therefore extensive archive sources, many never before accessed, as well as contemporary media, that form the thesis's main source-base. These were first and foremost the comprehensive records of the "Central Review Committee" (CRC) of social partnership, Pádraig Ó hUiginn's papers and other material in the Department of the Taoiseach archive. Besides minutes of meetings, these contain much internal correspondence, government communications and extensive hand-written notes of meetings, phone calls and events. Similarly rich archives of the NESC, ICTU and other bodies not previously used were also examined. Older records were sourced from the National Archives and other collections, and use was also made of some private papers made available.

Finally, the current writer's own experience of social partnership since the 1980s through both political and trade union involvement and as director for fourteen years of a large partnership project, Dublin Employment Pact, meant he had an acquaintance with many key figures involved, which facilitated access to records and interviewees and helped inform judgements reached in this thesis.⁷

The thesis reveals much never before considered regarding the origins, establishment and development not only of the social partnership system, but of the decisions that shaped the 1990s economic take-off, the forging of a radically new relationship with the EU in 1988-90, and the emergence of the Irish developmental state. In so doing it hopes to make a significant contribution to understanding the paradigm shift that occurred in Ireland's socio-economic governance and fortunes in the crucial decisions made in the 1987-91 period.

⁷ On Dublin Employment Pact, www.dublinpact.ie; for a previous non-academic assessment of social partnership by the current writer, O'Connor, P. 2007

Chapter 1

Theoretical contentions and competing literatures

Contentions

The main contentions of this thesis, its sources and its methodology, are set out in the Introduction. It is a controversial thesis, challenging common assumptions and academic orthodoxies regarding the subject it is treating. It asserts that social partnership was a key institution in the economic and social transformation of Ireland that occurred from the early 1990s, and identifies the driving role in that of key political and interest leaders. In so doing, it argues the primacy of political agency, leadership and ideas in that paradigm shift, though without neglecting structural and exogenous factors and also without overstating what might be misconstrued as a “great man” interpretation.

This chapter firstly seeks to locate the contentions of the thesis within the literature analysing political-economic paradigm shifts, or institutional ruptures, which it asserts the 1987-91 period in Ireland represented. It also argues for the detailed linear historical-narrative approach it takes to elucidate the various strands of cause-and-effect explaining what led to that paradigm shift, as well as its socio-economic, political and institutional consequences and its dynamics as it consolidated as an altered policy-making system. This multiple-streams approach illuminates how specific factors converged in 1987 to enable the policy paradigm shift, which had been unsuccessfully attempted on several previous occasions and often involving the very same actors. It establishes the roles in this process of the failure and success of innovative pro-active leaders on the one hand, and conservative or reactive leaders on the other.

The chapter then examines the main contentions of the existing economic and political literature on the origins, establishment and importance – or otherwise – of the social partnership departure in Ireland, challenging orthodoxies in relation to it. It also reviews the wider comparative literature on European partnership systems which has attempted to locate and account for the Irish development in

that framework. By identifying the endogenous political drivers of Ireland's social partnership, the thesis presents much new material to assist future studies more accurately locate the Irish case within such a comparative framework.

The political economy of policy change

The central contention of this thesis, that social partnership and government policy decisions of 1987-91 represented an institutional paradigm shift that enabled the economic transformation achieved in the 1990s, challenges a dominant narrative that emphasises external factors - such as pressures to conform to EC policy or globalisation - in explaining the 1990s take-off. In the literature the turning point accounting for the transformation largely remains indeterminate and the roles of political agency - particularly of the Haughey governments - and of institutional innovation - particularly of social partnership - are largely ignored as irrelevant. The Oxford historian of Ireland, Roy Foster, articulated a widespread view when he wrote that "the Irish" simply "got lucky".¹

Political scientists grapple with policy and institutional "paradigm shifts" in democracies. The Irish institutional upheaval of 1987-91 certainly represents a test case for this. They contend that the institutions of democratic states tend in "normal times" to follow an incremental, structure-determined course, but when a crisis induces institutional "uncertainty", at whatever level, various factors combine in adjusting the system to the new circumstances, resolving the crisis and restoring equilibrium, or not, as the case may be.

Positivists argue that institutions respond to crisis, or sudden uncertainty, through an "objective" process of "risk reduction", with institutional "supply" increasing to meet institutional "demand", as "agents" act to "realize their given interests in a risky environment". Marc Blythe counters by showing that at times of crisis and hence policy uncertainty, when full knowledge of its details can only be available in retrospect, influential actors cannot know how best their interests are served and have little to guide them in identifying those interests apart from ideas. Both the diagnosis of a "crisis" as a crisis, as well as the proffered solutions are necessarily constructed ideas vying for plausibility. During non-crisis

¹ Lee, J. 1989, Barry, F. ed. 1999, Fitz Gerald, J. 2000, Garvin 2004, "got lucky", Foster 2007, also David McWilliams, 'The fall of the Berlin Wall led to the rise of Ireland', *Irish Times*, 09/03/19

periods, ideas tend to a mundane reflection of perceived interest but at moments of “institutional uncertainty” they can emerge as “causal factors”, as “causally powerful constructions that allow agents to define a crisis as a ‘crisis’ and both plan and politic their way forward”. Where such ideas prove successful, they achieve hegemony and form the equilibrium of a new institutional paradigm.²

Baumgartner and Jones similarly explain how “stability is the rule for most issues most of the time”, with the equilibrium of relatively autonomous subsystems and the defensive actions of powerful, constructed interests, reinforcing system inertia and acting against prospective innovators to maintain the status quo. Policies in periods of equilibrium are “framed” by an “image” of coherence and plausibility, founded ultimately on belief. But in periods of crisis that equilibrium is destabilised – or “punctuated” - and alternative policies must gain plausibility and be “framed” in a new coherent “image”. This occurs through attritional “conflict expansion” as opposing parties and interests, in seeking to shape and frame a new consensus, mobilise the actors “discontented” by the crisis until a critical-mass constituency is formed for a dominant solution.³

Ideas, however, can also be wrong. Extrapolating from Polanyi’s *Great Transformation*, Blythe contends that how institutions are constructed and the external pressures under which they arise determines why some states were able to adopt successfully to the 1920s Great Depression by an institutional paradigm shift towards “embedded liberalism”, as in the US “New Deal” or Swedish social democracy, while others stagnated or opted for the ultimately destructive course of militarist fascism. While Blythe was examining an epochal ideational conflict, his insights are nevertheless relevant to our case. Scholars argue that authoritative ideas that achieve plausibility involve many political-historical factors such as institutions’ historical formation, constructed social interests and problem-solving propensities under the pressures of internal and external constraints, in on-going competition for influence and hegemony.⁴

Innovative ideas or policies, in whatever interpretation, are not disembodied causal forces, but are introduced at moments of uncertainty by political

² Blythe 2002

³ Baumgartner and Jones 1993

⁴ Polanyi 1944; “ideas”, Blythe 2002; “autonomous constructs”, Zehfus 2002; “critical realists”, Archer 2003; “influence”, Phillips and Jorgensen 2002; “hegemony”, Gramsci 1971

innovators who build credibility and plausibility for them. At times of crisis, the process of change through the interaction of structure and agency becomes acute, with institutional change traceable through both this interplay and that of contending narratives for resolving crises of uncertainty.⁵ As noted, analysing institutional change can be differentiated from analysing how preceding and resulting institutions are sustained. Systems in equilibrium follow a more-or-less path-determined course, whose dynamic, as Pierson put it, is “amenable to structural explanations”, while at crisis moments the intervention of “political entrepreneurs” proposing new ideas is decisive, with such critical junctures best examined through an agent-centred approach. At times of significant change, therefore, political agency and ideas play a critical role.⁶

This thesis establishes how the social partnership idea, with an economic transformation rather than a mere industrial relations or economic crisis-solving formula its central purpose, had a long gestation in the Irish political-economic system. From first being proposed by policy innovators in the 1940s, through several attempts at realising it - interspersed by periods of reactive-conservative dismantling and withdrawal from it - it was finally implemented successfully from 1987. The question arises as to how this process should best be observed. A case study might apply innovation theory or a “diffusion of innovation” approach, or apply a “multiple streams framework” as proposed by Kingdon, which offers greater scope for narrative conflict and social power factors.⁷

In Kingdon’s model, an identified problem in any policy system results in varied proposals to solve it, with the dominant solution emerging and achieving critical acceptance when the policy innovator has organised the political factors necessary to implement it. This occurs when a contingent event, or “crisis”, provides a “window of opportunity” for the innovator, who has assiduously aligned those political factors, to implement the proposed solution. The convergence of these elements of problem, solution and political organisation, with the window of opportunity provided by a contingent event, thus enables the resolving of the problem, whereafter a new system equilibrium results. The

⁵ On “policy innovators”, Hall and Thelen 2009 and Hogan and Feeney 2012; on the interplay of structure and agency, Berger and Luckmann 1966, Zehfus 2002, Jørgensen and Phillips 2002, Weiss and Wodak, eds. 2007, Wendt 1992, 1999, Onuf and Klink 1989, and Kratochwil 1991

⁶ Paul Pierson quoted in Bennett and Ellmann 2006: 464

⁷ “diffusion”, Rogers 2010; “multiple streams”, Kingdon 2003

timing and flow of policy actions is critical. Resistance to the idea or alternative solutions must be overcome or compromised with, though will often continue to operate in policy “sub-systems” impeding or delimiting the substantive change.

This multiple streams perspective allows the critical elements and processes of advocacy, trial, contestation, setbacks and ultimate success of a major political project to be traced and evaluated, explaining, in our case, why what finally succeeded in 1987-91 had not in previous attempts over the preceding twenty years. It also accounts for how Charles Haughey, as a high risk-taking rather than reactive political leader, first secured the cautious buy-in of opinion-forming allies by tailoring his project to their policy preferences and, once the contingency of the economic crisis lent plausibility to the proposed solution, it was the securing of meaningful political power that assured the project’s plausibility. Such an analysis also accounts for the political factors that undermined its plausibility in previous attempts. Through this perspective, the counter-tendencies of alternative policy concepts, system resistance and inertia, conservative or reactive competing leaders and interests, political constraints and other factors that accounted for earlier defeats and that impeded the economic paradigm shift until 1987-91, can also be identified.

It is of interest that Haughey himself – the key political innovator, among several, in the central thesis of this study - viewed his finally achieving convincing control of government and the state apparatus in 1987 as the turning point that assured the plausibility and success of his economic/social system proposal. He recalled 1987-88 as the “happiest” and “most rewarding” year of his political career. Politics would have been of less interest to him had the challenge of Ireland’s underdevelopment, which had not been resolved by the Lemass-era reforms, not presented itself. Decisive government, and power itself, he stated, rested less in party or backbench majorities, which can be incoherent, than in a cabinet united, led and determined on a singular policy course. This had evaded his and other governments previously, but he achieved it in 1987.⁸

In a paper jointly authored with his former government secretary, Pádraig Ó hUiginn, a year or so before his death from colon cancer, Haughey identified the

⁸ Haughey on 1987 and cabinet government, interview Haughey 2005; “of less interest”, Keena 2001: 6

economic agenda, *The Way Forward*, compiled by a tightly-knit policy group he formed in 1981-82, coordinated by Ó hUiginn, as the programme that united his 1987 cabinet. Charlie McCreevy once described Ó hUiginn somewhat colourfully as “the smartest civil servant I ever met ..., his role was at least equal to Whitaker”. This thesis makes an analogous claim in relation to Haughey as an innovator and political leader of a similar significance to Lemass. The *Way Forward* formed the transformative “idea” in our study, though only half of it, the other critical element being its framing through a social partnership system.⁹

That joint paper with Ó hUiginn also identified the debt crisis of 1986 as the immediate “near-disastrous” contingency, or window of opportunity, enabling the departure, but the deeper structural “development” problem of the Irish economy since 1970 as the fundamental issue being tackled. In Haughey’s words, the debt crisis provided the “stimulus and need” for the departure. This thesis traces Haughey’s long advocacy of such an economic departure and of an alliance with business and union interests as the political means to achieve it.

In 2005 Haughey said social partnership had played a central, integral role in the economic take-off. While “other factors assisted that transformation, ... social partnership from its inception and for 20 years ... provided the essential bedrock on which sound public finances and progressive fiscal, social and economic policies could be firmly based.” This thesis tests this hypothesis through a close analysis of many of the factors social partnership contributed.¹⁰

Policy and partnership in the economic transformation

That a paradigm shift occurred in Ireland’s economic fortunes in the 1990s is not disputed. A growth and employment take-off is clear from 1993, continuing for a decade to double GDP and employment and eliminate unemployment by 2003. A pattern of weak performance had characterised the preceding 1970-86 period, punctuated by growth spurts and turbulence through “creative destruction” in the 1970s and by manufacturing and FDI decline in the early 1980s causing the mass closure of many Lemass-era industries. In 1985-86 export growth began to revive to its modest pre-1980s level. This partial

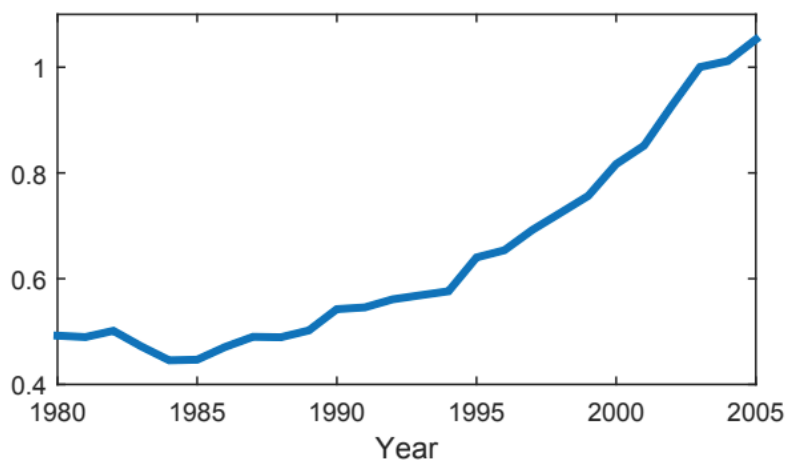
⁹ “paper”, Haughey 2013; “jointly authored”, interview Ó hUiginn; McCreevy quoted in Hastings et al.: 34

¹⁰ “most admired”, interview with Martin Mansergh

recovery in growth - though not employment - was assisted by deflationary fiscal policies of the FitzGerald coalition.¹¹

So what was the identifiable moment of qualitative policy and institutional change accounting for the 1990s take-off? This thesis contends that it occurred in 1987. Within a year, growth surpassed the recovered 1980-level of 1986 by 5 per cent and, while slowing in 1991-92 due to the Maastricht/currency market crisis, surged from 1993 in an upward trajectory. The new growth was less a “recovery” than the take-off of a new economy with new growth drivers. While unemployment would remain high into the 1990s, new-job creation of ca. 20,000 jobs p.a. occurred, in line with PNR targets, with the new jobs striking in that they were almost wholly in new-sector areas. Although this pattern is widely accepted for the 1990s, the precise policy turning point is rarely identified, the take-off mostly being attributed to post-1990 input factors.¹²

Klein and Ventura’s tracking of GDP/output growth data from 1980 to 2005 indicates the depression and modest recovery of 1980-86, and an initial surge from 1988 that slowed in the Maastricht/currency crisis but took off again from 1993. They ascribe this to a changed policy-input paradigm from 1988:



“GDP per working-age adult in Ireland more than doubled relative to the US in 25 years, increasing 115 per cent from 1988 to 2005”.¹³

This thesis not only agrees that the decisive policy-input turning point was in 1987-88 but also demonstrates that all essential elements of the economic

¹¹ “growth from 1993”, Kennedy, K. 2001, Barry, F. ed. 1999, Bielenberg and Ryan 2012

¹² “widely accepted”, e.g. Barry, F. ed. 1999; Kennedy, K. (ed.) 1997; FitzGerald, J. 1999 and Kennedy, K. 2001;

¹³ Klein and Ventura 2019

transformation of the 1990s, in terms both of policy and economic inputs, had occurred by 1991. Capital opening has long been identified as a key factor in the take-off, though far too often as its singular source. Other small open European economies benefitted from the same EC market opening without achieving a remotely comparable result. This requires explanation, and this thesis contends that the answer lies in the series of policy choices developed through social partnership and implemented from 1987. These included decisions to pre-empt and exploit single market reforms, almost before they occurred, to get ahead in the nascent competitive European economy, and a strategy of alliance-building in Europe to exploit EC structural funds as a lever to development. A further factor was a deferral of input costs – also provided by social partnership - which enabled a dramatic capital inflow and a surge of new sectors, even before 1990.

Asserting a central role for social partnership in the economic turn-around contradicts what many studies assume, that it was peripheral. This thesis contends that, while not necessarily the singular *cause*, it provided the essential framework for a negotiated opening of the economy, tracing the processes that brought the opening about. It also ensured that government's tight monetary adjustment was accompanied by expansive industrial policy, mixed-economy initiatives and a substantial reshaping of the welfare state. These strategies were framed within a debt/ GDP ratio-reduction formula that included deferring social and wage costs though offsetting them by a wage/tax approach growing real incomes and programmes of social investment. It was this set of formulae that soon gave Ireland's social partnership its international significance.

Social partnership also provided a range of “intangible capital” inputs such as wage and policy certainty, industrial peace through both pay/tax strategy and institutional reform, co-ordinated mid-term planning systems across departments and new human resource programmes in welfare, education and social policy. These inputs delivered value growth in the human resource factors critical to the reconfigured higher-value economic model being pursued. These various factors enhanced what is termed total factor productivity (TFP), forming the critical input this thesis groups as the social partnership effect. Indeed, even without the opportunities exploited in global economic opening, some studies contend a less dramatic but nonetheless substantial economic improvement

would still have been achieved due to the 1987-91 policy departure. What is also seldom realized is the paradigmatic quality of the second partnership agreement, the PESP of 1991, which involved a template for an institutional transformation towards a developmental state, framed as a 10-year reform programme as advised by the NESC. Subsequent agreements of the 1990s were merely subsets of this overall decade-long framework. This again illustrates the formative quality of the policy choices of the 1987-91 period.¹⁴

Ireland's social partnership in comparative analyses

Studies of Irish social partnership often analyse it in the framework of trends in European systems of state/capital/labour industrial relations and economic policy coordination, commonly referred to as “neo-corporatism”. While such systems had their origins in the command economies of World War One and even older corporatist traditions, they are mostly examined in their role during the so-called “Keynesian consensus” of 1945-75, a “golden age” of unprecedented economic growth, cooperation and welfare expansion. The Irish system is also sometimes compared with how many of these systems mutated as they were down-graded, or again revived, reconfigured as “competitive corporatism”, in the economically less optimistic period 1993-2005. But in such paradigms, the very initiation of Irish social partnership represents an outlier, in that it occurred precisely between these two “classic” periods of European corporatist systems. The same applies to the Irish pattern of economic performance, which during these periods ran directly counter to that of the usual comparator countries.¹⁵

During the Keynesian era, different models of neo-corporatism evolved in different states and groups of states along a spectrum of what is called “varieties of capitalism”, the variations determined by differing economic structures and their endogenous politico-cultural and economic-institutional traditions. By the 1980s, party political exchange in most states determined much of the redistributive dynamic, with corporatist systems – increasingly commonly

¹⁴ Key role of “TFP” factors, Klein and Ventura 2019

¹⁵ On WW1 command economies and state/industry/labour coordination, e.g. for the British “Whitley system”, ILO 1973, and Germany, Feldman 1966. For literature on “neo-corporatism”, McGinley 1998; on revived “competitive-corporatist” pacts of the 1990s, Ebbinghaus 2002, Ebbinghaus and Manow 2004, Grote and Schmitter 1999, Donaghey and Teague 2005, Baccaro and Simoni 2008, Avdagic, Rhodes and Visser 2011, Compston 2003, and Natali and Pochet 2009; on “competitive corporatism” also Rhodes 2001, Hemerijck 2013, Kirby/Murphy 2011

referred to as “social partnership” - largely confined to wage determination, industrial relations, and labour market and social security policy.¹⁶

The Irish social partnership system established from 1987 combined both redistributive and competitive policy elements and entailed a far greater policy range than comparable contemporary European systems, encompassing monetary strategy and EU integration, industrial policy and industrial relations reform, tax policy, welfare state configuration, liberal-social reform and a transformation of local development structures. In its pre-determining of Programmes for Government it was even accused by its detractors of usurping parliamentary democracy. The power-sharing element of it entailed senior civil servants and other state officials, for the first time in the state’s history, having to answer to and collaborate with the interest coalition. Its establishment in 1987 thus represented by any standard a major institutional innovation and historic departure, in terms both of domestic policy and comparable European practice.

Social Partnership presents something of a puzzle for historians, political scientists and political economists alike, in that it was counter-intuitive at a number of levels: it was instituted with only a minimal prior history of corporatist governance, by an ostensibly “centre-right” government, while corporatist arrangements elsewhere were built on long-standing traditions and were initiated mostly by and identified with the political left; it was introduced as corporatism was being discarded elsewhere across the OECD; it combined monetarist adjustment with a redistributive strategy, a combination considered contradictory; and it remained highly contested as much in the party political sphere, the civil service and general expert economic opinion as by substantial minorities within the interest organisations themselves. Despite its unifying element as a strategy for consensus policy development, a political consensus on it as a new system for socio-economic government would continue to elude it. The conclusions invariably drawn in comparative studies is that the “exceptionalist” domestic political factors shaping or impeding Irish social

¹⁶ Hall 1997; Lehmbruch 1984; Hall and Soskice 2003; Hall and Gingerich 2009

partnership, and characterising its divergence from European “norms”, rather than its compatibility with them, are what require elucidation.¹⁷

As the formative period of Irish social partnership presents such an asymmetric pattern to contemporary developments elsewhere, a comparative study based on partnership “norms” could not but fail to identify meaningful events determining it. In identifying the ideational development, relationship-building, agency/structure dynamic and political conflict that shaped it, this case study therefore adopts a deep-description narrative-historical approach. This allows the linear processes of cause and effect and the causal chains explaining the institutional innovation of 1987-91 to be traced, and the agency/structure interactions shaping the 1987-91 institutional outcomes to be identified.¹⁸

Later periods of Irish social partnership, after it had achieved institutional equilibrium, are certainly amenable to study in a framework based on the norms of other established systems. But that seems an inappropriate framework for its formative period in 1987-91, on which this study focuses. Future comparative studies might usefully compare this formative period with similar formative rather than equilibrium periods of comparable systems, such as early post-war Denmark or Austria, or West Germany in 1949-54, when a unique political departure, combined with the dramatic contingent events of the Marshal Plan and the Korean War, similarly framed a radical social partnership initiative few would dispute was a key element in Germany’s subsequent “economic miracle”.

Other literature

Many studies of the dynamics of the Irish partnership “model” focus on its later period as a “hybrid”, “advocacy coalition” or “networked” policy system. Many examine particular aspects, such as unions or industrial relations, the autonomy of the economy, the wage/tax bargaining formula, the role of the third sector, or its institutional weakness as a policy vehicle in the 2008 crisis. Even as it was being instituted in 1987, informed opinion was highly sceptical. Niamh Hardiman, a respected and sympathetic analyst, was just one of many who

¹⁷ Baccaro and Lim 2007; on Ireland as a European corporatist “outlier”, also Baccaro and Simoni 2008 and Carey 2007; on Irish “exceptionalism”, Mjøset 1992, Breen, Hannan and Rottman 1990

¹⁸ On “thick description” historical case studies and causal-process observations, Box-Steffensmeier 2008, Gerring 2006, Clifford, G. 1973; Mahoney 2010, Bennett and Elman 2006

doubted that Ireland had the institutional prerequisites for it to succeed. There are few studies of the politics behind its formation, only one partial, journalistic history of it has ever appeared, and the motivation of those who conceived it or the strategies that underlay it are seldom examined. There is also a consensus that it appeared in 1987 as a crisis strategy in response to an immediate debt/unemployment problem, or, less benignly, as a cynical stratagem to exploit a crisis “opportunistically” for political gain, views this thesis challenges.¹⁹

But in most analyses from whatever perspective, Irish social partnership has tended to be stripped of its ideational history and identity. Some go so far as to dismiss it as merely a local expression of a dominant policy approach at EC level, even David Begg, a leading union figure, concluding that it was “not a coincidence that it followed hot on the heels of Delors’ 1986 institutionalising of social dialogue as part of the Single Market construct”. But this thesis contests this, arguing that partnership was primarily a product of domestic politics and a political project which, although influenced by events elsewhere, preceded Delors’ initiatives which of themselves were limited in their achievement and influence. It was for this very reason of an absence of “models” to follow that Irish partnership assumed a form and dynamic unique to it.²⁰

Influential economic studies of the Irish economic take-off already referred to make little or no reference at all to social partnership, or only to dismiss it as a coincidental, peripheral or inconsequential occurrence. They equally refer little to any role of political agency in engineering the turnaround, in particular avoiding attributing any positive role in it to Haughey, although as Taoiseach he presided over what this thesis identifies as the critical period of policy change. The destruction of Haughey’s previous reputation as a gifted and able political innovator in the quasi-judicial tribunals of 1996-2006 enabled this depoliticised

¹⁹ On institutional innovation, O'Donnell 2001, Hardiman 2002, 2006, Ó Riain 2004; “third sector”, Kirby 2002, Adshead 2011; on later institutional weaknesses, Avellaneda and Hardiman 2010; “prerequisites to succeed”, Hardimann 1988; Apart from theoretical studies, the only actual history of social partnership to appear is the journalistic treatment by Hastings et al. 2007. On the 1986 debt crisis precipitating partnership, inter alia Regan 2012. On the 1987 partnership agreement as an “opportunistic” political manoeuvre, Roche 2009.

²⁰ Begg 2014

framing of the Irish economic “miracle” to persist into later studies, which remain wedded to functionalist interpretations.²¹

Even where political agency is allowed for, it sometimes assumes a form of near caricature. A 2009 study by leading industrial relations scholar, William Roche, dismissed Haughey as a “political adventurer” who in 1987, “more as a political opportunist than a monetarist or corporatist visionary”, adopted monetary adjustment only because expert economists pressed the need for it on him, and “embraced” social partnership because a senior civil servant urged him to do so as a means to quiet the unions. This thesis challenges this dismissive, indeed contemptuous, view of Haughey’s role.²²

The fact is that Haughey staked his political reputation and career on achieving an economic turnaround framed by a social partnership system. This was an extremely high-risk political strategy, as the dramatic processes of ratifying the PNR by the partner organisations in 1987 demonstrated. Following nearly a year of intense political exchange, the PNR barely survived these multiple challenges. If even one “partner” had withdrawn, as several nearly did, the strategy would have collapsed, fatally undermining Haughey politically. Haughey benefitted from the acquiescence of the political opposition to his monetary adjustment, but that accommodation did not extend to his social partnership initiative, which they, including the Labour Party, vociferously rejected. Haughey’s high-cost pursuit of a partnership agreement – while alternative strategies were constantly urged on him – is thus a classic puzzle, but at least it clearly establishes how for him the economic strategy and partnership structures he was determined to establish formed an indivisible whole.

Misinterpretation of the origins of social partnership is compounded by misinterpretations as to its purpose. Contemporary politicians who lauded it, or were involved in its development, were wont to praise it rather patronisingly for having delivered “social peace”, thus contributing something to economic success. This has misled analysts to over-emphasise its purely industrial relations aspect as the problem it was addressing. Some who have approached

²¹ Kennedy, K. 1991; Frank Barry ed. 1999; Nolan, O’Connell, and Whelan, eds. 2000; FitzGerald, J. 1999 and 2000; Sweeney, P. 1999; Hardiman 2000; Honohan 1999; Kirby 2002

²² Roche 2009: 194-5

partnership from a critical theory aspect additionally see it as a mere conforming to global “neo-liberal” capitalism camouflaged with a veneer of an illusory social democracy. Even the nuanced study by Aidan Regan postulates it as primarily an adaptation to globalisation, although he then reaches some similar conclusions to this thesis. These notably include identifying the centralising of government power in the Department of the Taoiseach under Haughey to achieve it, and elevating the partnership policy body, the NESC, as a mechanism for formulating solutions to dysfunctionalities of the Irish electoral system and the “silo”-structured nature of public policy-making.²³

An important corrective to apolitical analyses is provided by Baccaro and Simoni, who establish that corporatist systems – including Ireland’s - cannot

“simply be ascribed to the industrial relations system, but [are] an eminently political phenomenon that needs to be framed against the backdrop of the structural and strategic configuration of the political system ... Approaching it through the prism of structural interest group or industrial relations theories, as has often been done, may imply missing most of the action.”²⁴

This thesis argues that Irish social partnership was conceived as a solution neither to industrial relations nor immediate economic problems, but rather that the window of opportunity these problems presented was used to implement a long-developed strategy to address a deeper compound problem, that of socio-economic “underdevelopment”, of which repeated crises were only symptoms. In this it was a highly political project, engineered by a political alliance rather than a confluence of interest groups engaged in simple “collective bargaining”.

Roche and Hardiman, among others, admit to a significant pre-history, but are handicapped by a focus on industrial relations and interest group pressures. This thesis argues that the 1987 partnership formula had developed in the minds of key actors over several decades. Many involved in 1987 had experienced Haughey’s initial attempt at such a departure in 1969-70, which had been derailed by the “arms crisis”, itself an event revealing the asymmetric impact the Northern conflict henceforth exercised on many aspects of Irish politics, including social partnership. But the key question that remains is why, if the

²³ Kirby 2009, 2010; Kirby and Murphy 2011; Allen, K. 1997, 2000; Regan 2012

²⁴ Baccaro and Simoni 2006: 19

1987 socio-economic formula, including its partnership aspect, proved successful in resolving a widely accepted underlying problem of underdevelopment, did it take so long to gain political acceptance?²⁵

The ideational aspect of social partnership and the role of political agency in initiating it at a pivotal moment of crisis are of central importance. A central contention of this thesis is that its specific goals, which gave it its common purpose, were to overcome structural underdevelopment through a sustained industrial strategy, an expansive and transformed welfare state, monetary and political convergence with the core EU integrationist powers, and an on-going process of liberal-social reform. These aims were often succinctly expressed as the achievement of both “full employment” and “average European” levels of development and standards of living. Ireland should become a “successful small open European economy” like others. Each partnership agreement reiterated these primary goals, recording how much closer Ireland had come to achieving them under the previous one. Some astute analysts have described its core deal on pay and tax as the “glue” of the system. But this thesis would contend that while the pay/tax/welfare aspect was important in the political exchange of social partnership, its real “glue” was that broader common political aim uniting its players. Though beyond the bounds of this study, it can be observed that once the core problem – “underdevelopment” – had been resolved and “average EU standards” not only achieved but surpassed, i.e. after 2002, partnership began to become incoherent as its common purpose was lost.²⁶

²⁵ Roche 2009; Hardiman 2001

²⁶ “average European levels”, NESC 1986, 1990, 1992; “each partnership agreement”, Government of Ireland, 1987-1998; pay/tax “glue”, O'Donnell, R. and Thomas 1998

Part 1

Leaps, Bounds and Reversals, 1945-86

Chapter 2

The quest for socio-economic organisation, 1945-70

Irish politics and economic interests before 1945

The “exceptionalism” of Ireland’s social partnership system in European terms arises in part from the distinctive relationship between party politics and interest organisations. This party/interest relationship differed from then mainstream West European left/right patterns and was also distinct in that the relationship took shape in its essential features even before the establishment of the state. An extensive literature has appeared seeking to account for these party/interest relations and the consequent party political dynamic in Ireland.¹

The Irish Parliamentary Party (IPP), focused on the primary Home Rule issue, combining diverse interests across a left/right spectrum, as did the rival Unionist Party, with particular MPs and factions identified with “conservative” or “liberal” approaches to land, housing, business, social or labour policy. The Unionist Party predominated in the North East and the IPP elsewhere. No unified, cohesive bourgeois party emerged in the area of IPP dominance, as the relatively small but politically powerful banking, large-farming and big-business elites were mostly unionist and remained aloof from it, while rising Catholic business, farming, trading, professional and labour groups formed its backbone. The land reforms and modernisation/democratisation of the 1890s Balfour era created a small-property owning democracy, with the introduction of elected local government generating interest organisations that would later shape the Free State.

An evolution of the factions within the Home Rule and Unionist blocks into a conservative/liberal or conservative/labour party divide, as many expected to follow Home Rule, failed to materialise, apart from in areas of Munster in 1910-14, as the Home Rule Crisis, partition and the Great War saw Unionism consolidate in the North and led to the eclipse elsewhere of the IPP by Sinn Féin

¹ Among the most notable, in a large literature, being Mair 1979, 1992; Chubb 1982; McGraw and O'Malley 2018; Dunphy 1995; Puirseil 2007, 2018; Gallagher 1985; Gallagher and Marsh 2004; Girvin and Murphy 2005; Murphy, G., 2009

on what the Lord Lieutenant identified in 1917 as the “singularly frank issue of self-Government within the Empire versus an Independent Irish Republic”.²

Sinn Féin itself split in 1922 over the Treaty and became separate parties in the ensuing conflict. The split had little socio-economic content, again being on a “singularly frank issue”, of Dominion Home Rule or a “sovereign Republic”. Anti-Treaty Republicanism predominated where Sinn Féin had been strongest. But in the course of the Treaty war, the party division increasingly assumed a socio-economic form. As well as the IRB element of the IRA loyal to Collins, former IPP “notable” circles, the churches, and business and unionist interests rallied to the Treaty party, Cumann na nGaedhal, as a force for order or lesser of two “evils”. The Catholic Church declared the Free State the “constitutionally established authority” and excommunicated Republicans, while southern Unionists supported it as preventing “anarchy” and the Treaty as at least enabling them “remain Britons”.³

Following the Republican defeat, Cumann na nGaedhal consolidated its base, restoring pre-conflict judicial and other institutions while cleaving to orthodoxy on social and economic questions. It moved from Collins’s view of the Treaty as a temporary “stepping stone” to O’Higgins’ view of it as a settled framework for sovereignty. Apart from some land reform and industrial intervention measures, notably the ESB, it defended the existing socio-economic order. Republicans, on the other hand, sought the replacement of the “Treaty State” by a Republic, appealing to small-holders, the “landless”, potential entrepreneurs and urban workers with an alternative “Republican” platform of state interventionism, protectionist industrialisation and land, labour and welfare reform. A party divide emerged, of orthodoxy versus socio-economic radicalism. While impatient radicals on the Fianna Fáil side tended to defect to the left, to the Republican Congress, Clann na Poblachta, the IRA or even communism, defections from Fine Gael tended to be to the right, to authoritarian paramilitarism and even fascism.⁴

To contend that Irish politics was dominated thereafter by two “competing versions of nationalism” with an “absence” of “class politics” is thus a gross over-

² Wimbourne’s report to Cabinet, 14/07/17, in MacLysaght 1978

³ “remain Britons”, *Church of Ireland Gazette* 09/12/21

⁴ Regan, J. 1999; O’Connor, E. 2004; Manning, M. 1970

simplification, a *reductio ad absurdum* of governments since independence as an illusory, non-ideological alternation between “tweedledum and tweedledee”. The reality was a clear socio-economic division which, if not along straight-forward left/right lines, represented rival constitutional/socio-economic combinations.⁵

Interest groups developed alongside this party reconfiguration. Business, professional and industrial interests had consolidated organisationally since the 1890s in their modern form, in chambers of commerce, employer federations and professional associations. Given the division in such circles over Home Rule, they remained largely neutral during 1919-21 conflict, though tending to a conservative unionism. Their substantial base, nevertheless, was reflected in the support of up to twenty per cent achieved by “ratepayer” and “independent” candidates in the 1920 urban district elections against the 80 per cent nationalist/republican block. In 1922 and 1927, ratepayer and farmers’ party candidates won more seats than Labour, though were later absorbed by Cumann na nGaedhal in response to the perceived “communist” threat of Fianna Fáil.

The conservative nature of Cumann na nGaedhal – and Fine Gael into which it later evolved – was due to its dominance by these strands, whether ex-IPP or unionist. But its Fenian-Republican origins in the IRB and support among Great War and Civil War-era National Army veterans limited its purely bourgeois character. While generally hostile to unions – employing brute force to break them on the Shannon Scheme in the 1920s - Cumann na nGaedhal in government nevertheless accepted and negotiated with unions in the public services, developed arbitration systems for resolving disputes and even legalised a right to strike in the post office when this was still outlawed in Britain. Though Fine Gael would never have more than a marginal presence in the unions, it retained the loyalty of a not insignificant working class following.

Formal trade unionism in its modern sense also took shape in Ireland in the late 19th century, in its British form, and within a British parent structure, though confined to larger towns and cities, especially Belfast, or to networks such as the railways, at a time when urban Ireland accounted for less than a fifth of the population. The historical attention trade unionism attracts exaggerates its

⁵ “competing nationalisms”, Breen et al 1990, Ferriter 2005, Begg 2016; “tweedledum/tweedledee”, recent *Irish Times* commentaries by Ferriter and O’Toole

significance at the time. The 1913 Dublin conflict shocked public opinion, which, outside the North East, had hitherto regarded “class conflict” as a minor aspect of political life, especially compared to the land struggles.

General, or so-called “unskilled”, labour only organised after 1900 again largely through British unions until the emergence in 1909 of the initially small but militant Irish Transport & General Workers Union (ITGWU), which broke from the British-oriented structure on a nationalist basis. The largest labour organisation in nationalist Ireland was in fact outside the formal trade union fold. This was the Land and Labour Association (LLA) which, beginning in Munster and with links to both left-wing IPP circles and Fenianism, organised agricultural and other labourers in rural Ireland – the largest component of the working class – to agitate for housing, direct council employment and plots of land for self-sufficiency to survive times of under-employment. From 1914, and particularly during 1919-21, the ITGWU was transformed as it absorbed these local groups, expanding from a hitherto urban force of about 15,000 into a national and predominantly republican rural one of over 120,000.⁶

ITGWU members were prominent in the 1916 Rising and the ensuing conflict, providing many leading Sinn Féin and Republican Labour activists and later IRA volunteers. Its influence was apparent in the labour-friendly programme of the First Dáil – later disparaged by O’Higgins - and in the underground Department of Labour which, with Constance Markievicz as Minister, ran industrial courts to resolve disputes and oversee official recognition of unions and “direct labour” in republican local authorities. ITGWU leader William O’Brien described his union as “the industrial wing of the national movement”. In addition, IRB activists, commanded by Collins, organised the separation of craft and public service unions from British parent associations. The hitherto staid all-island Irish Trade Union Congress (ITUC), which was simultaneously the Labour Party, experienced the rise of this republican labour movement as an institutional usurpation.⁷

The ITGWU’s Republicanism differed both from mainstream Sinn Féin and the ITUC in espousing James Connolly’s “Workers’ Republic”, i.e. a republic in the Sinn Féin sense, but with socialist institutions. It supported and helped build the

⁶ Bradley 1988; O’Connor, E. 2011; Lane 1993; Devine 2017

⁷ On labour in the national struggle, Cody et al. 1986; O’Brien, W. 1969; Yeates 2008, 2014, Mitchell 1974

Labour Party as a vehicle for this, but in both party and ITUC often clashed with the more British-socialist oriented majority outlook. An added division in the 1920s was the Workers Union (WUI), founded by Jim Larkin as a communist breakaway and temporarily displacing the ITGWU in Dublin. Tensions between unions shaped by British traditions and republican unions such the ITGWU formed a constant fault-line that would continue to characterise the movement down to the social partnership era.⁸

The Labour Party was established by the ITUC in 1912 to represent the “labour interest” both in local government and in the anticipated Home Rule parliament. But the extent of labour movement involvement with Sinn Féin limited its scope while partition, which removed its major Northern industrial base, further handicapped it. It struggled to establish itself against republicanism as the country’s specifically “social democratic” strand. Occasionally, as on an “anti-militarist” platform during the Civil War, it would enjoy what would later be called a “Spring Tide” in protest at the misdeeds of the two main parties, but such peaks lacked an organisational basis and proved transitory.

Nevertheless, as long as Republicans were excluded from the Dáil, the Cumann na nGaedhal/Labour divide assumed a conservative/labour form. Although the still abstentionist Sinn Féin and then Fianna Fáil assiduously cultivated an urban base, in the June 1927 election Labour increased its 14 seats won in 1923 to 22. But the illusory quality of this became apparent after Fianna Fáil entered the Dáil in 1927, restoring a central Republican/neo-Redmondite conflict narrative. In addition, in a concerted campaign managed by Lemass, Fianna Fáil targeted Labour’s vote, especially in Dublin, accusing Labour of ambiguity on the “national question” and urging trade unionists to see Fianna Fáil as their true champions. Labour responded by attacking Fianna Fáil as insincere in its social policies and of being in an “unholy alliance” with “the communists”. It also refused a coalition offer from de Valera and would watch from the side-lines as he consolidated his government in part on the basis of Labour-type policies.⁹

⁸ O’Connor, E. 2015

⁹ In general Dunphy 1995, Puirseil 2007; Lemass campaign, ‘Irish Labour Party Stands for Imperialism’, *The Nation* 02/04/27 and, on trade unionists, ‘A New Political Party?’ *The Nation*, 03/08/29; Labour response, “unholy alliance” and “Communists and Fianna Fáil Combine”, *The Irishman* 12/04/30

Protectionism in the 1930s won for Fianna Fáil an enduring base among new industrialists. A new managerial and entrepreneurial class emerging in the protected private and state industries led to the founding of the Federation of Irish Manufacturers (FIM), which developed a close relationship with the State. The simultaneous expansion of welfare, public housing and industrial employment quickly also consolidated the party's working class base.

Fianna Fáil's working class support would prove conditional and volatile, as when in 1943, the late 1940s and again in the 1980s, a significant proportion of it, discontented with government social policy, switched in temporary protest to Labour or left-republican parties. Fianna Fáil therefore cultivated its relations with the republican wing of the trade unions. In the 1930s, with ITGWU support, it considered legislating to end British-based unions, though decided against this to avoid sparking a Dublin working class revolt and also for wider political reasons. Lemass compromised, licensing such unions once they credibly separated out their "Irish regions" with local headquarters and leaderships.¹⁰

Trade unions enjoyed a significant revival in the de Valera period, growing from a low of 60,000 ITUC-affiliated members in 1929 – though that number is likely exaggerated – to over 110,000 by 1944. By 1960, 320,000 workers were organised, or 55 per cent of the employed workforce, a rate high by European standards. The movement retained its incongruous 32-county structure as well as including "British-based" unions in the Republic, and split in 1944 along this British/Irish, Labour/Nationalist fault-line into the ITUC and CIU (Congress of Irish Unions). The ITUC retained most "Irish regions" of British unions and small, sectional and craft unions, as well as Larkin's WUI, while the CIU comprised the ITGWU and nationalist-oriented groups. This division would continue in subdued but persistent form within the re-unified ICTU, formed in 1959.¹¹

The organisations of business and employers – an important distinction – also changed under protectionism. Different strands of business remained separate until the 1970s. While elite commercial circles, still largely Anglo-Irish, continued to relate closely to similar British circles, manufacturing developed a

¹⁰ On FF and Labour, Dunphy 1995, Púirséal 2018; on "British unions" conflict, McCarthy, C. 1977

¹¹ Membership, Nevin ed. 1994: 372-73; "exaggerated" – against ITGWU's "official" 20,000 members in 1931, its leader William O'Brien recorded an actual 12,677 in his diary – Morrissey 2007: 278; "British unions" conflict, McCarthy, C. 1977: 118-34; 229-90

dependency on the state. The FIM, a nationally oriented group formed to lobby the Department of Industry and Commerce for licenses and protectionist advantage, arose as a primary lobby and its close relationship with government would endure. Employers, organised separately as *employers* in response to union pressures, tended to associate more with Fine Gael. In the absence of national-level industrial relations institutions, numerous industry-specific employer groups formed to deal with the reviving unions, the largest in sectors such as provisioning, manufacturing and construction. These disparate groups coalesced in the Federated Union of Employers (FUE) from 1942.¹²

The de Valera governments, through Lemass, conferred regularly with both industrialist and union interests and established a number of joint state bodies with them. Fianna Fáil confronted union power only once when, under tightly disciplined wartime conditions, it faced a revolt of Dublin labour over its wages “standstill” order of 1941. This cost it dearly in the 1943 election, a lesson well learned and not repeated. Lemass is reported to have quipped at the time that Labour, in failing to capitalise on the revolt, had missed a major opportunity.¹³

Fits and starts: “tripartitism” 1945-56

With economic *dirigisme*, the welfare state and tripartitism *de rigueur* in Allied states and their planning for post-war Europe, de Valera and Lemass discussed a similar course for Ireland. Even before the war, they had taken a keen interest in “tripartitism” as initiated by Irishman Edward Phelan at the ILO in Geneva, an institution with which Irish governments engaged from its foundation. When the Beveridge Plan – the blueprint for the post-war British welfare state - appeared in 1942, Irish government circles studied it with a view to a similar initiative. Allied plans for a stimulus programme to rebuild a shattered Europe – the European Recovery Programme (ERP) – combined aspects of the American “New Deal”, British wartime industrial planning and European “corporatist” traditions, in part, as with the ILO, to counter the attractions of Soviet communism. De Valera’s alleged “isolationism” has been much exaggerated, as he had been the

¹² On union development, McCarthy C. 1977, and business/employers Chubb 1992, Hardiman 1988

¹³ On Fianna Fáil and business/labour interests, Murphy, G. 2005, 2009 and Evans 2011: 207; Lemass quoted in McCarthy, C. 1977: 246

leading advocate of collective security in the League of Nations as President of its General Assembly. It was the League's refusal, at great power insistence and against his urgings, to intervene against Japanese and Italian aggression that determined him to ensure Irish neutrality in the 1939 war. Before WW2 ended, he again orientated Irish policy to connect with the new post-war order, preparing to apply for membership of the UN despite distrusting its great-power domination. The government also sought engagement with the ERP, Lemass urging that "we make certain we participate [in it] when it comes".¹⁴

Lemass endorsed the tripartite aspect of ERP as an institutional departure Ireland should embrace, telling the ITUC in 1945, before it split, the "increasingly important part" he saw unions playing in "national life" in "a democratic state",

"not merely as a guardian of the workers' interests, but as an essential part of the machinery of industrial organisation, accepting the responsibilities which relate to its real power, and proceeding from the stage of negotiating particular agreements with private employers to ... formulating and carrying into effect a general policy for the furtherance of the long-term interests of the workers as a class".¹⁵

Tripartitism was not foreign to Irish industrial practice, with inherited wage-setting structures surviving since the 1920s through a government labour inspectorate, wages boards in some industries and the arbitration system in the public service, but Lemass, who initiated Ireland's ERP application, also embraced its tripartite agenda. He viewed his 1946 Industrial Relations Act establishing the Labour Court as just the first stage towards such a system. A leading left-wing trade unionist called it the "most revolutionary departure" in Irish industrial relations history, as it was not just a court to resolve disputes, but established "Joint Labour Committees" (JLCs) of employer and union nominees, with an "independent" chair, to set wages across sectors, legally enforceable through "Employment Regulation Orders" (EROs). Lemass had envisaged statutory powers for the Court itself, but, apart from the EROs, this was opposed by both business and unions jealous to defend "voluntarist" bargaining and the

¹⁴ On Lemass and Phelan, preface and introduction to ILO 2019; on Irish state and Beveridge, Carey 2007, McCashin 2004; political strategy of ERP, Angster 1999; de Valera and neutrality, McCullagh 2018; de Valera and UN/Bretton Woods, Dorr N. 2010; Lemass quote in Garvin 2004: 85

¹⁵ McCarthy, C. 1977: 572

unions intent on ensuring an “abstention of the law”, which, with considerable justification, they regarded as inherently class-biased.¹⁶

Lemass proposed incorporating price-and-incomes setting, economic policy making and “Joint Development Councils” in industry, using the price surge of the post-war imports boom and revival of wage bargaining following the removal of wartime controls to initiate national talks on wage/price management. This led to the first ever national agreement on broad “Principles to be Observed in the Negotiations for the Adjustment of Wages”. On civil service advice, the initial 1948 application to ERP made no reference to a tripartite approach, but when the unions protested Lemass incorporated them.¹⁷

Under the Inter-Party government this nascent tripartite wage/policy system lapsed, only the Labour Court and the ERP involvement surviving. Fine Gael, whose dalliance with “corporatism” in the 1930s had been solely with its fascist form, was hostile to union involvement in policy as an intrusion into state authority. Labour, despite many of its TDs being union officials, had broken its formal link with ITUC in 1930 specifically to escape “union control” and was equally unenthused by tripartitism, focusing in government on expanding social provision. The ITGWU-linked “National Labour” TDs, who had broken from the Labour Party in 1944, also did not revive the idea, being hostile to the ITUC and preferring a return to Fianna Fáil government. Government did however act on a proposal from ITUC leader and Labour TD Jim Larkin jnr., to found the IDA.¹⁸

Despite the Inter-Party government’s disinterest, Larkin, son of the 1913 Lock-out leader, promoted tripartitism as a central ITUC strategy. A former communist, he was unusually well versed in the debates of the international labour movement and in 1949 used his speech as ITUC President to advocate an economy-wide tripartite system. He urged that unions move beyond traditional bargaining to negotiated “productivity”-driven industrial expansion and managed incomes growth within the parameters of a planned economy,

¹⁶ “radical departure” in Int. John Swift; conflict over Labour Court, CIU Central Council mtgs., 24.09-26.11.48, NAI: CIU and CIU AC 1946; “abstention of the law” Hardiman 1984: 84

¹⁷ Lemass plans, Hardiman 1988: 45, Girvin 1994: 123; “import-driven boom” FitzGerald 1968: 7-8; ‘Principles to be Observed ...’, D/I&C 1948; “permanent institution” O’Brien, J. 1981: 9; incorporation of unions, CIU NC mtgs. 24.09-26.11.48, NAI: CIU

¹⁸ Labour/ITUC separation 1930, constituency focus, and ; “National Labour”, Mitchell 1974, Puirseál 2007 and McCarthy, C. 1977; Larkin and IDA, O’Riordan 2001

participation in company management, and tripartite national economic policy-setting to drive a growth-oriented economy to provide higher quality work and wages. He proposed that the ITUC adopt a strategy on wages based on a resources/expenditure/productivity formula, anticipating the later central idea of social partnership, and defended Irish involvement in the ERP against left-wing critics as a “development of collective effort completely contrary to the very basis of capitalism”. His ideas formed the strategic perspective of the movement for those leadership circles that thought beyond immediate wage conflict, his speech, unusually, being published and widely disseminated in the movement as an authoritative statement of union strategy.¹⁹

There was otherwise considerable policy continuity between governments. The Inter-Party government was no less internationalist than its Fianna Fáil predecessor, joining the Council of Europe, where Seán MacBride was instrumental in shaping the Convention on Human Rights, and also considered NATO membership. It participated in ERP, which, through the OEEC, drove an upgrading of national industrial planning, though given the innovations of the 1930s-40s period Bielenberg’s contention that this represented “in some respects ... the first exercise by an Irish government in economic planning”, seems exaggerated. De Valera returned to power in 1951, and throughout the early 1950s the ERP brought government officials, employers and workers together with American and European counterparts through exchange visits as well as industrial modernisation projects at home, which saw the founding of some enduring tripartite bodies such as the IPA, IPC and IIRS.²⁰

De Valera also revived Fianna Fáil’s tripartite plans, encouraging Lemass against conservative opponents in cabinet to seek an “Agreement on Wages Policy” for 1952-54, which set parameters for wage bargaining rather than actual wage rates, and in reviving Lemass’s 1947 proposals for sectoral Industrial Councils. But these initiatives predictably lapsed when Fianna Fáil lost power to

¹⁹ “Young Jim”, Desmond 2009: 273-83; speech ITUC 1949, on impact O’Riordan 2001

²⁰ MacBride and ECHR and NATO, Keane 2007; “first exercise”, Bielenberg and Ryan 2013: 17; implementation of ERP, Murray 2009

a new Inter-Party Government in 1953, which returned to orthodox deflationary measures to counter the deepening economic recession.²¹

Lemass's economic institutionalism 1957-63

The road to “opening” the economy is much debated. A “world economy” hardly existed before the emergence of the OECD, EEC and EFTA in 1957-58, with the only option for “internationalisation” the politically unacceptable one of re-integration with the British economy. Europe slowly re-emerged through the ERP and Korean War boom, and Irish policy makers engaged with both the OEEC and OECD, aligning economic policy with their prescriptions. The key dispute was not over whether but how to effect an opening to free trade. This was given added urgency by the severity of the Irish depression that followed the European downturn on the ending of the Korean War, with record unemployment provoking social unrest. The deepening crisis did not cause the change of policy direction, but concentrated minds on its urgency.²²

In 1956 the coalition's “Capital Investment Programme Committee” proposed a gradual opening combined with supports for export-led industrial expansion and inward investment. But such ideas remained theoretical as government wrestled with the monetary and balance-of-payments crisis through contractionary budgets. Lemass in opposition followed the international economic debate, having his son-in-law, Charles Haughey, purchase books on it for him he had seen reviewed in the press. When the EEC/EFTA opportunity arose in 1957/58, it was pursued vigorously by government with little dissent internally or from the opposition. Lemass in his economic planning in opposition envisaged tripartite structures, welcoming an industrial plan proposed by ITUC - drafted largely by Larkin and Donal Nevin - which proposed such a framework.²³

²¹ “Agreement ...”, D/I&C 1952; “resurrect”, Carey 2008; “Development Councils” CIU Central Council mtg., 28/03/52, NAI: CIU;

²² On the balance-of-payments crisis, FitzGerald 1968: 8-9; 1950s “discourse” and “key dispute”, McCarthy, J. 1990: 40, FitzGerald, G. 1968: 54-5, Finn 2012, Fanning 1990, Daly, M. and Litton 1997, and Bielenberg and Ryan 2013; on 1950s social protests, Kilmurray 1987

²³ Haughey books, McCarthy, John, 1990: 67; Lemass-union talks, PUTUO 1956, Desmond 2009: 273-83; on Larkin/Nevin role, PUTUO EC mtg. 14.10.1957, NAI: PUTUO, and McCarthy, J.F.: 69; Lemass's response to union proposals, PUTUO EC mtgs.1956 passim; Horgan 1997: 174

On Fianna Fáil's return to power in 1957 on a programme of industrial expansion, Lemass had Department of Finance secretary T.K. Whitaker publish his memo, 'Economic Development'. This synthesised the "open economy" discourse, though assumed an agriculture-driven growth and contained many proposals government never accepted, such as withdrawing from "unproductive investment" in areas such as housing and health to fund industrial expansion. Lemass had government endorse it, though suggested publication under Whitaker's name to "get its acceptance over political boundaries". He simultaneously again concluded a "Joint Agreement on Guiding Principles relating to Wages Claims and the Present Economic Situation" with employers and the joint ITUC-CIU body, PUOTO, providing for wage development in 1957-59 within an overall expenditure/productivity assessment of the economy.²⁴

Civil service planning for the *Programme for Economic Expansion*, launched by Lemass as Taoiseach in 1959, did not include interest group involvement. It is often claimed, by somewhat sleight of hand, that Whitaker initiated the tripartite structures that followed, but his original memo foresaw only an advisory council of officials, agency leaders, industrialists and economic "experts". It was Lemass, who had maintained contact with union leaders and encouraged the formation of a united ICTU, who sought out their views on structures to accompany the Second Programme, specifically "the best means of securing the maximum degree of co-operation between the various interests concerned with the progress of the National economy". ICTU suggested a tripartite "national policy council" and reviving the sectoral councils he had proposed in the late 1940s.²⁵

The "Committee on Industrial Organisation" (CIO) finally established in 1961 to oversee the adaptation of industries in preparation for free trade and EEC accession was initially composed as advised by Whitaker, without union/employer input. ICTU protested and Lemass, against civil service advice, invited not only ICTU but also the employer body FUE (as distinct from the already involved FIM) onto it. ICTU appointed its most senior officials, including Larkin and ITGWU leader John Conroy. 24 state-industry sectoral "Adaptation Councils"

²⁴ Whitaker 1958; "get its acceptance ..." Fanning 1990; "Joint Agreement", O'Brien, J. 1981

²⁵ Whitaker/tripartitism, Bew and Patterson 1982: 145 (who give no source for the assertion), Roche 2009: 196; Whitaker's actual proposal, Whitaker 1958: III: 10; "best means", Lemass to ICTU EC mtg. 06.07.59

were established to report into the now tripartite CIO, with Lemass requiring them, on ICTU's proposal, to cooperate with parallel "Trade Union Advisory Committees" it had established for each sector. With the experience of cooperation on ERP bodies, and despite the EEC application falling with de Gaulle's veto on British accession, the CIO and Adaptation Councils were retained, largely proving effective agents of industrial modernisation.²⁶

Lemass also proposed upgrading wage determination from "guidelines" to actual pay agreements, establishing an "Employer-Labour Conference" (ELC) on a statutory basis with an independent chair as the negotiating forum, with the state participating as public sector employer. The ELC was also to be tasked with negotiating a fundamental industrial relations reform. When the next "wage round" began in 1963, Lemass made what James O'Brien called "a fairly sustained effort to persuade Congress and ... employers to negotiate at national level" through the ELC, setting wages, as he told the Dáil, "on the basis of an intelligent understanding ... of the national interest rather than procedures of horse-trading and strikes".²⁷

The overall system Lemass envisaged was set out in a White Paper, *Closing the Gap*, which described a widening discrepancy between labour costs and productivity growth. This went further than previous plans, suggesting involving the state, beyond its role as public employer, in undertaking a biennial "objective tripartite review" in a joint planning body as the basis for wage determination at the ELC. The only alternative, it stated, were statutory wage/price controls.²⁸

The institution that emerged for the "objective review" Lemass proposed built on ICTU's suggestion of a national council. It was finally established in late 1963 as the "National Industrial and Economic Council" (NIEC) tasked "to prepare periodic reports on principles to be applied by government and the Employer-Labour Council for the development of the national economy and the realisation and maintenance of full employment at adequate wages with reasonable price stability". Whitaker, as Department of Finance secretary and head of the civil

²⁶ Formation and purpose of CIO, Murphy, G. 2005: 36-8; ICTU precipitate ICTU/FUE involvement, FitzGerald 1968: 56-7 and ICTU EC mtgs. 28.07 and 01.12.61; ICTU appointees, ICTU AR 1962: 94-6; effectiveness of "Adaptation Councils" and TU committees, FitzGerald 1968: 57-67

²⁷ O'Brien, J. 1981: 10-11

²⁸ D/Finance 1963b; O'Brien, J. 1981: 37-38

service, was appointed chair, though only after the original nominee, diplomat F.H. Boland, declined due to private sector commitments. Whitaker did not initiate the NIEC, and indeed had acted in 1960 on his own preference by co-founding a private sector-funded “Economic Research Institute” (later the ESRI), initially under SSISI auspices. Its board included a minority of employer/union figures, but appointed on a purely individual rather than representative basis.²⁹

ICTU/FIM objections to NIEC’s purely wage-guideline function enabled Lemass tacitly expand it to a much wider one of “supervision and review” of the Second Programme itself. Garret FitzGerald, then an FIM economist, described how the NIEC assumed ownership of the *Third Programme* as “its own from the outset”. Lemass welcomed the NIEC asserting itself, gladly conceding to it the role of developing a “consensus” between the state and “the main sectors of the community” to ensure that “measures taken to implement the *Programme* have the full support of all sections of the Community”. Larkin, stating that “all of our basic economic and many of our social problems stem from the same weakness, economic underdevelopment, both in industry and agriculture”, declared the NIEC to be “planning as we have conceived it”.³⁰

Like many Irish institutions, the NIEC resembled comparable bodies emerging elsewhere, but its structure and functions were shaped by organic factors. A “National Economic Development Council” had just been established in Britain, modelled in turn on the French body, and Irish officials visited and studied both. But the NIEC developed along lines of its own. The British Council, for example, included ministers as well as industry, union and civil service representatives and, under Harold Wilson, was chaired by the Prime Minister himself and later linked to a network of subordinate sectoral councils. This encouraged the ICTU also to press Lemass to revive the sectoral councils he had suggested in 1947. NIEC was shaped by participants’ experience of the “Adaptation Councils” and CIO and, unlike in Britain, deliberately excluded politicians to minimise clientelist pressures. Its first report formed the basis for the “National Wage

²⁹ NIEC 1966; on Whitaker, the NIEC and ESRI, FitzGerald 1968: 71, 157-9, also Chambers 2014: 155-6

³⁰ Lemass in NIEC 1966: 14; Larkin “all of our ...”, WUI ADC 1963: 11-17; “conceived it”, Girvin 1994: 127-8

Recommendation” agreed in 1964, which set a 12 per cent wage “guideline” for the period to 1966 which negotiating bodies were urged to follow.³¹

NIEC had 29 members, nine from Government and ten each representing unions and the employer/business interest. State representation, headed by Whitaker and Department of I&C Secretary J.C.B. McCarthy, came mainly from Finance’s “Economic Development Division” (EDD) and agencies such as the IDA and IAOS. The EDD had itself been an institutional innovation as both the first specific civil service economic planning unit, but also, in the NIEC, the first to serve a “non-government” body. The EDD had been created to fill the strategic planning policy gap identified during the First Programme and would later evolve into the Department of Economic Planning and Development. The absence of farming representatives (apart from IAOS) was not deliberate, but due to divisions among farming bodies preventing agreement on their representation. Such divisions were a phenomenon plaguing all interest representations due to the fragmented nature of the economy.³²

The emerging collaborative approach enthused all interests, with the ITGWU, for example, even proposing that individual companies pursue growth targets agreed through a joint business-union effort, and that a network of Regional Technical Colleges be established to train professional workers, a goal later included in the Third Programme. Union enthusiasm was further reflected in ICTU support, against marginal dissent from some craft and British-based unions, for Irish EEC accession. ICTU defended this on the optimistic basis that cooperative planning in such a context would enable declining industries be replaced by new industries and workers from weaker sectors re-trained for new jobs. Larkin dismissed as misguided left-wing critics who rejected tripartitism, Lemass’s *Programmes* and the NIEC as “political baits ... to ensnare and enmesh trade unionists in the political election manoeuvrings of Fianna Fáil”.³³

³¹ British NEDC (“Neddy”) system, Dell 1997; Irish study visits, early NIEC and “exclusion” of politicians, FitzGerald 1968; “Wage Recommendation”, O’Brien 1981: 10-11, 37-38

³² FitzGerald 1968: 158-64; on fragmentation, Hardiman 1988: 48; on farmers, ICTU EC mtg., 28.02.1964

³³ “working convergence”, Murphy, G. 2009; Horgan 1997: 228; ICTU and state companies’ role, ICTU AR 1962: 64-5; ITGWU proposals, ITGWU ADC 1962: 72-3, 98-99; “defended on the basis”, ICTU ADC 1962: 227-30; ICTU and EEC, Murphy, G. 2003; “political baits” Larkin in *Bulletin* (WUI) Sept.-Oct. 1963

System stresses: from expansion to dissolution 1963-68

From 1963 Lemass, absorbed with other issues, took an increasingly back seat in relation to the tripartite institutions he had initiated, leaving them to the ministers responsible. Until 1966 the industrial relations bodies came under Jack Lynch as Minister for I&C, and then Patrick Hillery at the new Department of Labour, while the NIEC remained under Finance and its energetic and capable minister, James Ryan. Like Lemass, of whom he was a close ally, Ryan was a veteran of the independence struggle and drove implementation of the ever more detailed *Programmes for Expansion* with considerable energy.

During 1963-66, the NIEC, under Ryan's guidance and with Whitaker as chair, flourished, pursuing the mandate it had assumed in relation to the Second Programme and preparing the parameters for its successor. Despite its tight representational base and lean bureaucracy – henceforth hallmarks of Irish social partnership – its output was prodigious and authoritative. Its reports included annual economic reviews as well as studies of individual sectors, and aligned strategy with the international policy frameworks set by the OECD. The CIO's 1965 *Survey of Industry* provided the basis for the NIEC's preparations for the Third Programme. This identified major constraints on expansion such as the “backwardness” of Irish industry, inefficiencies, small firm size, low investment ratios, limited diversification and poor use of “modern management techniques”. It set an ambitious national aim of overcoming these to achieve both competitive advantage and a steady increase in real incomes through a productivity-based formula for price/wage growth in 1966-68, a national prices commission and redistributive equity through progressive taxation. It urged that the Third Programme include sectoral “adaptation” plans to be implemented through tripartite “Industrial Development Councils”, cooperative structures within companies and a thorough reform of industrial relations practices.³⁴

But concrete initiatives by Departments to progress NIEC proposals were often weak and ineffective. William Roche describes Lynch at I&C as an “industrial relations conservative in sharp contrast to [Lemass]”. While paying “lip service” to tripartite planning, he saw little need to change “the prevailing

³⁴ “prodigious”, FitzGerald 1968: 158-63; “Survey”, CIO 1965; initial conclusions, NIEC 1965: Pt. IV, paras. 50-61, and strategy proposals, NIEC 1965, 1966a, 1966c

system of collective bargaining”, preferring these continue autonomously with “minimum interference from the State”. He ignored suggestions for reforms towards what Roche describes as a “Dutch system” of works councils and social partnership as “outside the realm of practical politics”. It is notable that up to 1965 all decisive interventions, including those initiating wage agreements and establishing the CIO and NIEC, were Lemass’s own, with Lynch contributing little discernible. But Lemass was in declining health and these initiatives now depended on Lynch, who failed to secure a successor “National Wage Recommendation” at the end of 1965. A central agreement was not to return until 1970. Although ICTU showed a willingness to return to such a framework by setting its own “maximum guideline” and seeking equalisation of employment conditions - which Lemass welcomed as the basis for an agreement - wage determination reverted from 1966 under Lynch to “local bargaining”.³⁵

The drift back to free collective bargaining at a crucial stage in industrial expansion was to prove disastrous, as the lack of regulatory reform saw industrial conflict escalate to a national crisis. There had been a gradual increase in conflict – examined in the next section – but up to 1966 this had been manageable, with ELC-agreed wage “guidelines” generally implemented and the 1965 CIO *Survey* judging industrial relations to be “fairly good” apart from “restrictive practices” in a few sectors. Lemass made a final intervention in early 1966 before retiring, warning of an urgent need to reform industrial relations which had remained essentially unchanged since 1906. Hillery at the Department of Labour drafted a Trade Union Bill to reduce the number of unions and strengthen Congress authority over “unofficial action” and ICTU gladly cooperated in this initiative. But when Hillery circulated the heads for an Industrial Relations Bill in June 1966, proposing the outlawing of unofficial strikes and giving the Labour Court statutory powers to end disputes, ICTU was outraged and the government-ICTU talks on reforms stalled for three years.³⁶

With these ominous failures by Lynch and Hillery, the whole framework of tripartite institutionalism frayed. The Adaptation Councils floundered, NIEC

³⁵ On Lynch, Roche 2009: 190; failure of wage agreement, O’Brien 1981: 12-13; Lemass health/retirement, Horgan 1997: 326-3; ICTU position and Lemass welcome, ICTU ADC 1966

³⁶ Lemass IR reform initiative, McCarthy, C. 1973: 184-98; Hillery proposals, ICTU EC mtgs., 21.06.1965, 25.02 and 06.05.1966; reaction to IR Bill, Hardiman 1988: 47

lamenting the poor level of implementation of their proposals at industry level, the CIO was disbanded and the “Industrial Development Councils” never materialised, formally because of FUE’s refusal to countenance sectoral union involvement but principally because government showed little interest. Progress on industrial relations reform came to a halt, the joint working group ceasing to meet in 1967, and neither Hillery’s initial proposals nor any alternatives, apart from a 1969 bill modifying secondary Labour Court functions, were enacted. Relations became so strained that ICTU accused Hillery of lying to the Dáil when he claimed to have received no requests from ICTU to consult on it.³⁷

Even the NIEC became fractious. Following 17 unanimously agreed reports since 1963, a major study, *Planning for Full Employment*, begun in 1965, was delayed for two years over Whitaker’s insistence on including a competitiveness principle of maintaining incomes below British levels, by statutory means if necessary. ICTU, which clashed continually with the bullish NIEC chair, accused him of trying to impose a “one-sided” incomes policy, and only acquiesced to the report’s publication once its dissent on its wage formula was formally noted.³⁸

With a new Minister for Finance, Charles Haughey, just establishing himself in office after already being embroiled in conflict with the farmers’ association (NFA), government disengagement from the council continued as the civil service re-asserted its autonomy. But Haughey soon began to make his presence felt, reviving engagement with the NIEC. Larkin described the 1967 full employment report as reflecting a revival of the NIEC after two “difficult years”. Another NIEC report, which used an OECD critique to propose a radical expansion of second-level educational access, was opposed by the Department of Education until its own Minister, Donogh O’Malley, intervened in its favour, leading to his famous initiative freeing secondary education to general access. Yet another report, which proposed replacing Social Welfare’s antiquated “labour exchanges” with a semi-state manpower training agency, was rejected by

³⁷ decline of Councils and CIO, FitzGerald 1968: 66; “lamenting”, NIEC 1966c; IR working Group, ICTU EC mtg., 25.08.67; 1969 bill, Hardiman 1988: 47; “lying to the Dáil”, Murphy, G. and Hogan 2008: 13

³⁸ Full Employment’ delay, FitzGerald 1968: 216; ICTU dissent at NIEC, ICTU EC mtg. 13.01.67

a civil service committee, though NIEC influence at least ensured a semi-autonomous service overseen by the Department of Labour did emerge.³⁹

The decay of tripartitism was compounded by Labour Party negativity. Larkin, who had affiliated his union, the WUI, to the party in 1964 not least to create some political distance to government, faulted Labour politicians who “in their natural anxiety to criticise and expose the faults and failings of the Fianna Fáil government ... appeared to be in opposition to the whole ... [tripartite] exercise”. He regretted their “cool and detached interest” in the NIEC, their dismissal of it as mere “Fianna Fáil propaganda”, and their failure to “make [its] reports ... the basis of a continuing positive criticism of government policies and failings”. He pleaded with the party to “distinguish between the NIEC and the Fianna Fáil ... government” and work “to strengthen the whole concept of planned economic development and the leading role of the state in its realisation”. Calling on Labour to support the *Programme*, he said its seven-year plan and central role for the NIEC would have seemed like “an election slogan of the labour movement” just a few years previously. Despite Labour’s adherence to “national planning”, its wariness of tripartitism as a Fianna Fáil “three-card trick”, as Larkin described their negative view of it, was resonant of their resentment of Fianna Fáil usurping their position since the 1920s, and would persist.⁴⁰

The flowering of tripartite institutionalism under Lemass thus went into reverse under Lynch. Instead of being consolidated, the NIEC/ELC planning and wage guidance system collapsed, sectoral councils disappeared, industrial relations reform was shelved and the NIEC weakened, its policy consensus-building function side-lined as civil service policy primacy returned. Lemass’s tripartitism has been described as “neo-corporatism”, but its nascent quality is better captured by Gary Murphy’s description of it as “proto-corporatism”. Lynch’s non-interventionism became dominant from 1966. One exception to this trend was NIEC’s revival in 1967, which occurred under the new Minister for Finance, Charles Haughey, a disciple of Lemass and an advocate of what would later be termed “social partnership”. But an industrial relations crisis arose in the

³⁹ Larkin view, O’Riordan 2001: 34-5; NIEC education report, NIEC 1966b, and D/Educ. opposition, FitzGerald 1968: 175; fate of “manpower” report, FitzGerald 1968: 174

⁴⁰ “natural anxiety” and “three card trick”, speech at WUI AR 1968, in O’Riordan 2001: 35; “election slogan”, *Bulletin* (WUI) Sept.-Oct. 1963, quoted in O’Riordan 2001: 31

institutional vacuum created by Lynch's non-interventionism, culminating in the industrial "chaos" of 1968-69. There were simply no institutions in place to channel the grievances that undelay it towards a productive resolution.⁴¹

Spirit of the '60s: social change and industrial crisis 1968-69

Up to 1961, average annual workdays lost in disputes was about 170,000, higher than most North European corporatist countries but modest for the "Anglo-Saxon" liberal-voluntarist world. In the pre-1960 closed economy, external competitiveness had not been a decisive factor but this changed. Wage bargaining, characterised by what Lemass called "procedures of horse-trading and strikes", was driven by three tendencies, of workers with negotiating power pressing their advantage to secure better pay, expanding industries "buying peace" by conceding increases, and most barely profitable enterprises relying on suppressing wages. Most wage settlements up to 1965 nevertheless remained within agreed national "guidelines". But 1968-70 witnessed an "upheaval" of industrial conflict which was compounded by state institutional minimalism.⁴²

As the economy opened, strike-days rose, to 450,000 in 1964, 552,000 in 1965 and 784,000 in 1966. These arose from long disputes involving relatively few workers in several specific industries rather than a pattern of conflict across the economy, and in many cases involved non-ICTU unions or non-FUE employers. 80 per cent of strike-days in 1964 were in the construction industry, in a long dispute not over wages but a 40-hour week, which employers refused to concede. The union concerned was the breakaway MPGWU, whose pickets, by union tradition, other workers refused to pass, thus closing down the industry, while on the employer side construction companies were still outside FUE and sought to prevent an industry-wide concession which FUE actually favoured. A similar dynamic characterised the print strike of 1965, which accounted for 66 per cent of all strike-days, with small craft unions forcing the closure of a then large industry, and the bank and paper mills strikes of 1966, again craft-driven, which that year similarly accounted for most strike-days. The bank strike again

⁴¹ On emergence of the term "neo-corporatism", McGinley 1998; on "proto-corporatism", Girvan and Murphy 2005; on "stakeholder capitalism", Hutton 1996

⁴² Strike days, McCarthy, C. 1973; Lemass quote, O'Brien 1981: 10-11; "most wage", CIO 1965; "upheaval", McCarthy, C. 1973

involved employer and worker associations outside FUE or ICTU and Ryan at Finance ended it with a statutory bank salaries order. These disputes were seen at the time as arising from weak institutions and poor employment standards, with Larkin on the union side recognizing the need for picketing reform so that general workers' interests were not abused to benefit sectional craft demands.⁴³

Industrial unrest spread more generally after 1966 as economic expansion reversed emigration, generating what Charles McCarthy called a "mood of rising aspirations". There was also a wider social restlessness reflecting the US civil rights movement and cultural rebellion among young people. While the surge in worker militancy reflected an international trend, its scale in Ireland was greater than elsewhere, with strike-days trebling by 1968 to 1,405 per 1,000 workers, compared to just 4 per 1,000 in West Germany and 489 in the UK, and in 1969 topped the European league apart from Italy. This was clearly a crisis of weak institutions, as at the heart of Ireland's strike figures were small groups of craftsmen with veto power in key sectors or of employers stubbornly refusing to concede reforms otherwise widely accepted. ESB craftsmen shut down power generation in 1968 and 3,000 picketing "maintenance craftsmen" locked 35,000 general workers out for six weeks in 1969 in what James O'Brien called "the worst strike in the history of the state", closing much of Irish industry.⁴⁴

The example of craft unions and the weakness of state institutions encouraged "breakaway" unions to form and exploit picketing traditions and weak law to bid for members in a spiral of competitive militancy. British-based unions also exploited these opportunities to grow at the expense of established forces such as the ITGWU, introducing a rousing left-wing rhetoric rejecting "class collaboration". British union strategy was to build autonomous shop-floor power and brought the institution of the "shop steward" to Ireland, where it was hitherto little known, spreading even in the ITGWU where local officials had previously managed industrial relations. The success of union militancy also encouraged public service officials and white-collar workers, who had previously stayed aloof from the proletarian Congress, to affiliate to it. The strike wave was beyond either the Labour Court or ICTU to manage, with the Court as early as

⁴³ Strike data, Nevin ed. 1994: 396; disputes, McCarthy, C. 1973; Larkin 1962, in O'Riordan 2001: 26-7

⁴⁴ "rising aspirations", McCarthy, C. 1973: 25; statistics in ICTU AR 1969: 253 and Nevin 1980: 172; details of strikes, McCarthy, C. 1973; "worst strike", O'Brien 1981: 15

1963 lamenting the “remarkable ... number of occasions on which ... strike action was taken or threatened before the Labour Court was afforded an opportunity of either arranging a conciliation conference or investigating the matters in dispute”. By 1969 nearly 60 per cent of all strikes were “unofficial”, i.e. occurring without official union head-office sanction.⁴⁵

Mainstream unions had engaged with Lemass’s original industrial relations reform process, with ICTU proposing “industrial democracy” along European lines as an alternative to confrontational relations. The ITGWU advocated the German system, which an ICTU document described as “probably the most advanced form of industrial democracy in any capitalist country”. Similar ideas were promoted by Charles McCarthy, teachers’ union leader and ICTU President, and also, though more as an alternative to unions, by Jeremiah Newman, a leading Catholic theorist and sociology professor. Basil Chubb, a prominent political scientist and later chair of the ELC, argued that industrial democracy was an inevitable reform that should be conceded. Such ideas had interested Lemass, but Lynch dismissed them as “outside the realm of practical politics”.⁴⁶

The rise of union militancy, perceived by many as due to “British” influence, revived the old basic divide in the movement. Left-wing militants, often from British-based unions, disparaged ICTU’s “industrial democracy” proposals as the “co-option” of workers in the running of capitalism, and inter-union disputes over membership “poaching” increasingly dominated the ICTU agenda, at one point causing the ITGWU, the main target of “poaching”, to consider disaffiliating. Maintaining leadership legitimacy against member impatience was not a challenge faced only by unions, but also by employer groups, whose more hard-line members complained of government “leniency” in the face of union power.⁴⁷

But the 1968/69 crisis led to some institutional innovation by unions and employers as well as by government. Craft union power, said Larkin, was ultimately not that of a powerful “lone wolf” “hunting alone”, but relied on

⁴⁵ Int. Geraghty; Int. O’Raghallaigh; “rhetoric” e.g. ICTU ADC 1969; Labour Court, McCarthy, C. 1973: 25; “competitive militancy” e.g. McCarthy, C. 1973, “unofficial strikes”, Hardiman 1988: 95-6; “white collar” affiliations, Maguire 2009

⁴⁶ ICTU adopts “industrial democracy”, ICTU ADC 1967; ITGWU on German system, *Liberty*, passim 1967-8; “probably the most advanced ...”, ICTU ADC 1968: 165-70; Newman 1953, 1966; McCarthy, C. 1966; Chubb 1969; Lynch quoted in Roche 2009: 190

⁴⁷ “British” influence, Newman 1966; left-wing opposition to “industrial democracy”, ICTU ADC 1968; ITGWU “disaffiliation”, ITGWU ADC 1971; employer position, FitzGerald 1968: 208-9, Hardiman 1988

general workers' loyalty in observing pickets. The "go-it-alone" approach of some employer groups, such as in the construction dispute, similarly weakened the FUE. After heated debates, and fearing statutory controls, ICTU in 1970 instituted the discipline of a "Group of Unions" approach to joint and binding bargaining with companies, and in 1971 adopted rules restricting picketing, with workers henceforth obliged only to observe ICTU-approved "all-out-pickets". Similarly, employers consolidated in 1969 as the Irish Confederation of Employers (ICE), incorporating the FUE and various individual associations, specifically "to counter ... leap-frogging wage claims ... [and] the playing off of one industrial group against another". Both ICTU and ICE were relatively loose associations, if democratically structured, their constituent organisations jealously guarding their autonomy. But despite rebels in both camps, whether "bloody-minded" sectional unions or industry leaders who rejected a "common good", the mean preference among both was for both strengthening the unity of purpose on their "side" and for orderly state-business-union cooperation.⁴⁸

The rebellious spirit of the 1960s was experienced in Ireland initially through a modernising of Catholicism in the wake of Vatican 2 and the rise of a Catholic "left" on the basis of Pope John XXIII's commitment to "social justice". This was reflected in the adoption by Fine Gael of a programme, "The Just Society", often wrongly described as "liberal", and in the emergence in the Labour Party in Dublin, which had been reduced to a single TD in the person of the Republican ITGWU official Michael Mullen, of a group of liberal-socialist intellectuals, developing from a base in TCD, who would be elected TDs in 1969. Liberalisation was also a strand in Fianna Fáil in the later Lemass years, epitomised in the unbanning in 1966 at the stroke of a pen by Brian Lenihan of nearly 10,000 books prescribed by the puritanical censorship regime installed by Cumann na nGaedhal in 1929. A harder but more fringe Left also emerged in the late 1960s connected with the wave of union militancy, both in groups such as the IWL, ICO and others connected with the union conflicts and involving many returned militant emigrant workers, as well as student movements such as the reform-minded "Students for Democratic Action" and the more fundamental Maoist

⁴⁸ Larkin in O'Riordan 2001: 28; on "Groups of Unions" and ICTU policy, ICTU ADCs 1970-72, Int. McCarthy, S.; ICE and "leap-frogging", Hardiman 1988: 162-5; weak central bodies, O'Brien 1981: 14; employer attitudes, FitzGerald 1968: 206-10

‘Internationalists’. But these represented an essentially cultural rebellion rather than a societal let alone revolutionary one.⁴⁹

Union/employer militancy was economically driven and thus did not signify a deeper intractable polarisation of society. This was shown in the 1969 election by the unexpectedly poor showing of both Labour and Fine Gael, which had both sought to capitalise on it from opposite sides. Fianna Fáil, winning a large majority, including in Dublin, was again returned. But the industrial conflict had nevertheless graphically exposed how state institutions had failed to keep pace with the exigencies of industrial modernisation.⁵⁰

“Order plucked from threatening chaos”: Haughey’s 1969-70 initiative

In March 1969, just as the maintenance workers’ dispute was ending, an initiative at the NIEC revived discussion of both an agreed prices/incomes framework, dormant since 1966, and industrial relations reform. This reflected an international trend as OECD promoted a return to such an approach to master inflationary pressures, while new Left governments across Europe, appealing to the expectations of the 1960s, were elected on platforms of expanding liberal freedoms, workers rights and industrial-democratic institutions. In Britain, Labour Secretary Barbara Castle recommended a similar course, her famous proposals, *In Place of Strife*, published in January, being discussed at the NIEC.⁵¹

NIEC’s policy revival occurred following what the *Irish Times* called an “unprecedented” intervention by Haughey, who in response to the wave of strikes proposed a novel event, a pre-budget meeting between government “economic ministers” and ICTU’s full Executive Council. While Hillery and others attended, ICTU’s minutes make it clear that Haughey dominated, proposing an agreed pay “guideline” and a revival of the NIEC’s strategic policy role. Haughey had a frosty but business-like relationship with Whitaker, his department secretary, who as a result had retired prematurely in December 1968 to take up the then subordinate role of Governor of the Central Bank, though remained on as NIEC chair. The council had become fractious and moribund, producing no

⁴⁹ Quinn 2005; Thornley, Y. (ed.) 2008; Thornley, D. 1964; Puirseil 2007

⁵⁰ 1969 election, Puirseil 2007

⁵¹ Maintenance dispute outcome, O’Brien 1981: 16; OECD, Hardiman 1988: 34; Castle 1969; NIEC discusses Castle, McCarthy, C. 1973: 229-31

major reports in 1968, but now, encouraged by Haughey, it revived both its shelved 1965 plans for a prices-and-incomes strategy and for industrial relations reform. Haughey maintained close relations with business and union interests, in the latter case especially the ITGWU, and it was on its proposal that the NIEC in March 1969 agreed to revive these plans as Haughey had urged.⁵²

This initiative coincided with publication of the *Third Programme for Economic and Social Development* which included a Department of Finance instruction that income increases should, while incrementally improving the relative position of the lower paid, track productivity but remain “slower” than in the “main competing countries” (i.e. Britain). The confluence of the ITGWU initiative at the NIEC and the Finance statement in the *Third Programme* was not coincidental. The meeting between “economic ministers” and Congress, and the NIEC initiative which succeeded them, followed contacts between Haughey and the ITGWU. Freed by Whitaker’s retirement, Haughey, described by the *Irish Times* as the “dominant personality in the Government party”, took the initiative to recover control of economic relations lost since Lemass’s departure.⁵³

Haughey strengthened his position with the unions by including in his budget that month measures he had discussed with ITGWU to benefit the lower paid so as to enable “an orderly policy in relation to wage and salary agreements” to evolve, with a potential national agreement heralding “a whole new era in this field”. He also incorporated welfare reforms and “envisaged” a series of national agreements “in which budgetary measures would play a vital role”. Both ICTU and FUE welcomed the initiative and during the June 1969 election Haughey called this “one of the most helpful things that has happened ... in many a long day”, the response of the unions “magnificent in its responsibility and maturity”. “Order”, he announced, had been “plucked out of threatening chaos”.⁵⁴

Following the election and the Haughey initiative, ICTU conferences decisively rejected opposition to a national agreement, adopting ITGWU-sponsored motions proposing a “full-scale NIEC Report on all aspects of income

⁵² “unprecedented intervention” IT editorial, 15.03.1969; Haughey-ICTU meeting, ICTU EC mtg. 26.03.69, item 3844; Haughey-Whitaker relationship, Chambers 2014: 180-2, 190-2, 217-223; ITGWU initiative at NIEC, IT 15.04.69

⁵³ Third Programme 1969: 143-9; “dominant personality”, IT, 30.05.69

⁵⁴ “whole new era”/“plucked out of ...”, Haughey, ‘Election meeting’ 06/06/69, in Mansergh ed. 1986: 111; “pivotal role”, Dáil 07.05.69

distribution” and a “prices and incomes policy”. A joint FUE/ICTU committee was established in July 1969 to start talks on terms for an agreement. Haughey met with ICTU the following November, accepting their internal “Note on a Wage Negotiation System”, undoubtedly revealed to him by ITGWU, proposing a complementary NIEC/ELC architecture. Within cabinet, he criticised Whitaker’s by-passing of him in advising Lynch to opt for statutory “corrective action” on wages, and in January 1970, again after meeting ITGWU leaders, he met Congress to suggest that the forthcoming “pay round” upgrade negotiations to a full “tripartite agreement” embracing wages, economic policy and reform of both statutory and voluntary aspects of industrial relations. Although a cautious ICTU insisted the talks be described as yet only as “consultations”, Haughey’s initiative led to the NIEC’s ground-breaking report the following month. This proposed a broad tripartite system as well as a Prices Commission and an adjudicating role for the Labour Court over disputes under the proposed agreement.⁵⁵

Employers welcomed the breakthrough and the NIEC exploited its restored prestige to propose its own reconstitution as an up-graded “National Economic Council”. Haughey, along with Lynch and other ministers, met with ICTU and FUE in a formal “tripartite conference” in April 1970, which agreed to the drafting of enhanced terms of reference for the revived ELC to cover industrial relations reform. As the ESRI, a body co-founded by Whitaker and cautious of tripartitism, later commented, “it did seem as if the machinery for a new era of orderly wage adjustment had finally been pieced together”.⁵⁶

At the moment of this imminent achievement, on 5 May 1970 Haughey was sacked from cabinet by Lynch following an approach by opposition leader, Liam Cosgrave, claiming, on the basis of an anonymous note from Special Branch or British sources, a “plot” involving military intelligence and some ministers, including Haughey, to import arms “for use in Northern Ireland”. Within weeks of Haughey’s removal and arraignment for what amounted to treason, the national wage agreement initiative would collapse. He would be acquitted by a

⁵⁵ ITGWU motions, ICTU ADC 1969: 394-410; FUE initiative, O’Brien 1981: 17; Haughey on ICTU ‘Note’, ICTU EC mtg. 12.11.69 item 4102; criticises Whitaker proposal, Chambers 2014: 219-20; Haughey mtg. ITGWU leaders, Mansergh ed. 1986: 141, and Congress, ICTU EC mtg. 28.01.70; final report, NIEC 1970

⁵⁶ FUE/ICE position, O’Brien 1981: 41-2; NIEC proposals for “NEC”, NIEC 1970, ICTU EC mtg. 04.70, item 4195, McCarthy 1973: 179-81 and IT 17.04.1970; Haughey and “tripartite conference”, IT 17, 18.04.1970, O’Brien 1981: 19; ESRI quoted in O’Brien 1981: 19

jury convinced he had implemented government policy but, while avoiding imprisonment and retaining his Dáil seat, he was excluded from cabinet.⁵⁷

Whether Haughey's initiative would have succeeded cannot be known. Industrial relations at the time were in turmoil, the country gripped by a strike by the IBOA - a non-ICTU union - closing the banking system for six months. Haughey was also only a mere minister, even if at Finance, under a cautious Taoiseach indisposed to "intervening" in the social relations of the economy.

Lynch's retreat to minimalism: the 1970 "National Wage Agreement" (NWA)

Just prior to the arms crisis, the ICTU, against modest internal dissent, had accepted the NIEC's proposed voluntarist framework. It had also cooperated in the plans to reconstitute the NIEC as a "National Economic Council", which it itself had proposed. It accepted the inclusion of farming bodies on it but rejected Whitaker's proposals diluting the tripartite formula by adding "consumers" and the professions. Wage agreement talks had commenced and ICTU had even suggested re-convening the NIEC to set immediate guidelines for them. But, after Haughey's sacking, the ITGWU caused a major surprise when its leaders announced that while they supported the "principle" of a national agreement, they doubted the advantages to workers of what was proposed and government sincerity on price controls. At the ICTU conference the following week, at the start of July, the ITGWU took an even harder line, amazing other unions by calling for ICTU's support for the proposed NIEC/pay system to be "referred back", i.e. shelved, pending clarification on how it would work. The ITGWU's derailing of ICTU wage strategy, which it had largely itself engineered, caused public dismay, the ESRI calling it "this totally unexpected setback".⁵⁸

With the ICTU's position in tatters, Whitaker and influential commentators, such as Garret FitzGerald, warned that a wage/price inflation "spiral" threatened and called for wage controls. *The Irish Times*, commenting on the collapse of tripartitism and endorsing FitzGerald's view, opined that British experience

⁵⁷ Cosgrave note in Clifford 2009: 73-4. There is a large and contradictory literature on the arms conspiracy trial which is outside the scope of this thesis

⁵⁸ NEC disagreement, ICTU EC mtgs. 20 and 31.07.70; FUE invitation and ICTU call for NIEC meeting, O'Brien 1981:19 and 41-2; ITGWU leadership stance, ITGWU ADC 1970 and ICTU AR 1971: 99-120; public amazement, IT 10.07.70, Hardiman 1988: 50; "unexpected setback", O'Brien 1981: 19;

showed that voluntary agreements were “ignored as blithely as speed limits”, while the industry group, CII – the former FIM - briefed against price controls as “unconstitutional”. Whitaker, although NIEC chairman, urged a statutory pay “pause” until the new NEC/ELC system could be established, and FitzGerald, once a champion of the NIEC, now attacked its report as a “fudge” showing the “limitations of consensus” and advised unilateral government action.⁵⁹

The NIEC polarised, with ICTU, under ITGWU pressure, refusing to accept statutory guidelines or a paper by Whitaker, ‘The Need to Control Inflation’, which argued for wage control. Lynch supported Whitaker, saying if unions would not engage at the ELC, government, regardless of the NIEC’s proposed role, would unilaterally impose controls. Congress responded by threatening a return to aggressive bargaining and to review “the whole question of participating in bodies counselling the Government on economic matters”, i.e. the NIEC itself. The new Finance Minister, George Colley, introduced a statutory prices/incomes bill, which reached its second Dáil reading before Lynch relented, meeting the ICTU – which he had seldom done in two years - to agree to suspend the bill if ICTU returned to the Employer-Labour Conference (ELC). Colley, in withdrawing the bill, confirmed union suspicions by now admitting he had never seriously believed a “price freeze” was “a practical proposition”. But the talks were saved, as the ITGWU required an agreement for its majority of lower-paid members, and the first “National Wage Agreement” was concluded. The ELC had been re-established at Haughey’s initiative - with Basil Chubb, a champion of industrial democracy, its chair - as a key “institution” of the NIEC system. Despite its collapse, the talks leading to the NWA took place through it.⁶⁰

The NWA became an enduring system, but it was a minimalist form of tripartitism compared to what Haughey had envisaged and ICTU/FUE had agreed in May 1970. It simplified bargaining, setting common wage increases over 18 months for all workers. But government participated solely as public sector employer, without any wider policy input, and the NIEC was not involved at all. The wage formula combined percentage and “flat rate” increases as sought

⁵⁹ “spiral”, IT 01.08.70; “blithely”, IT editorial 01.09.70; CII briefing, IT 08.10.70; FitzGerald in IT 01.08.70

⁶⁰ ICTU refuses to endorse, ICTU AR 1971: 135; Lynch threat and ICTU response, ICTU EC mtg. 10.70, item 4443; Colley in Dáil, IT 26.11.70; “industrial democracy”, Chubb 1969

by ICTU in the interests of the low-paid. The NWA also left scope for “above” and “below norm” pay adjustments under various headings, including “productivity” and protecting “differentials” between grades of worker, and accorded the Labour Court an “interpretation” role. It also aimed to gradually equalise working conditions through working hours, holiday and sick pay norms, with implementation negotiated “locally”.⁶¹

The NWA did not link to budget policy, a wider incomes/prices policy or overall economic strategy. Lynch praised the tripartite approach, extolling the “new role” of unions through various “consultative or deliberative bodies”, but he dismantled it as a central economic policy approach. What remained were some formal bodies, which Roche describes as “bolted onto” an unreformed wage-bargaining system. Neither government nor the Department of Finance were henceforth centrally involved, with the NWA the responsibility of the Department of Labour as a purely “industrial relations” matter. This conservatism contrasted with developments in Europe where wide-ranging reforms expanding cooperative institutions at national and company levels saw the late-1960s wave of militancy abate. In Ireland, industrial and inter-union disputes remained high despite the NWAs, with strikes and industrial disputes invariably at the top of the OECD league throughout the 1970s.⁶²

Following Haughey’s removal and the collapse of his wider pay/policy strategy, the NIEC itself disintegrated, its “immediate plans”, as Charles McCarthy lamented, “in ruins”. Its proposed “Incomes and Prices Commission” failed to materialise and plans for a wider “Economic Council” stalled after ICTU withdrew in protest first over Lynch’s wages order and then Whitaker’s adamant insistence that “consumers” be included on it. It would re-surface in 1973 in a bill for a “National Economic and Social Council” (NESC) with a narrow advisory-consultative remit, which finally convened under the coalition in 1974.⁶³

While the Lynch government’s institutional conservatism explains the decay of tripartitism from 1965, with disastrous consequences in industrial conflict,

⁶¹ ELC 1970

⁶² NWA no wider linkages, ELC 1970; O’Brien 1981: 42-8; Lynch on union participation, *Irish Press*, 20.10.70; “bolted on”, Roche 2009: 188; European reforms and unrest “abating”, Frieden 2007: 350, 367-9; strike “league”, Nevin 1980: 172

⁶³ “in ruins”, McCarthy, C. 1973: 180; Prices Commission, Hardiman 1988: 49; Whitaker proposals, ICTU AR 1971: 135; establishment of NESC, NESC 1974

and also its acceptance of a minimal NWA framework following the removal of Haughey, the volte-face by the ITGWU precipitating the end of Haughey's NIEC/ELC project after his sacking from government had a further aspect, demonstrating the wider impact of politics on the fortunes of Irish tripartitism.

Haughey, the ITGWU and the suspension of tripartitism

Haughey's relationship with the unions was through the ITGWU, for whom he represented, in the Lemassian mould, both Fianna Fáil's technocratic social democratic wing and its republicanism, or popular nationalism. For ITGWU leaders, these formed a continuum, threatened by the events of May 1970.

The ITGWU/Haughey bond might seem to conflict with Haughey's image as a wealthy man, the origins of whose wealth his constituency adversary, Labour's Conor Cruise O'Brien, first made a bone of contention in 1969. O'Brien attacked him for his role in fund-raising for Fianna Fáil among business circles, and for his fortuitous purchase of a run-down country house with land in Raheny, near where he grew up, which had reaped a dividend. But many contemporaries, including *Irish Times* editor Douglas Gageby, dismissed these attacks as mere political sniping. Haughey was at the centre of a group of businessmen and reforming Fianna Fáil politicians who saw themselves as "modernising Ireland", and had been entrusted by Lemass with developing "Taca" to raise party funds from business circles. Charges of having accepted money to fund an extravagant lifestyle were to be levelled against him in later years, but acquaintances described his pursuit of wealth as driven more by a desire to achieve status among society leaders. He also combined his closeness to wealthy circles with impatience with and disdain for the shoddiness of much of "backward" Irish industry, famously deriding Ben Dunne for the "drip-dry shirts" he displayed at a New York trade fair with the remark "where do you think you are Dunne, the fucking Iveagh Market?" Property developer Pat Gallagher described Haughey as determined to modernise Ireland by creating a "national" business class capable of operating on the world stage, and he cultivated relations not only with "national" entrepreneurs but also with wealthy Anglo-Irish circles, such as the Guinnesses, Congreves and Hely-Hutchinsons. Through his patronage of the arts,

and initiatives such as ROSC, he aspired to raise the cultural horizons of the *nouveau riche* produced by Lemass's industrialisation.⁶⁴

Haughey's social democratic tendency was apparent - even before Lemass's first *Programme* - in his 1957 maiden speech in the Dáil, in which he advocated an expansionist industrial policy, opening to foreign trade, shifting the public service towards economic activism, and providing a capital budget for a "dynamic programme of investment". Ronan Fanning described him as "the personification of Fianna Fáil's commitment to planning and development". He critiqued the "Left" for its propensity for confrontation, not its aims, as he favoured improving wages and welfare and a national role for unions. As Minister for Justice he instituted many reforms, especially benefitting women, and attempted to initiate an inquiry into Church-controlled reformatories. At Agriculture he confronted farmers over poor productivity and grant-seeking, provoking a revolt by proposing to change farm subsidies from incomes to investments, though also boosted the "farmers' dole" to counter rural poverty. At Finance he combined advocacy of industrialisation with financial discipline, separated out the capital budget and produced a balanced budget each year.⁶⁵

Haughey was also a champion of EEC accession, accompanying Lynch on a tour of capitals in 1967 to advance Ireland's case. In Paris he pressed this on the French foreign minister, despite de Gaulle's continued hostility to British membership. Against those who claimed the economic restructuring accession would entail ruled out Irish membership without the UK, he argued that the EEC would be obliged to support Irish modernisation. The EEC leader he was most drawn to was the German social democrat *par excellence*, Helmut Schmidt.⁶⁶

Haughey's republicanism was unexceptional in Fianna Fáil tradition. The party had been founded on a platform of completing sovereignty and giving it substance through state-driven economic development. This was how de Valera

⁶⁴ On Haughey's wealth, Keena ... and Ryle Dwyer ...; on O'Brien, Arnold 2006; Gageby *IT* 30.05, 06.12.69; on devaluation accusation, Chambers 2014: 183-4; on wealth as status, Maume 2007, Cronin 1997 and tribunal comments by friends in Keena; "Ivy Market" in Smyth 1997, Gallagher in Keena 2001; on Haughey's relative wealth and his arts initiatives, also Cronin 1997 and Maume 2007

⁶⁵ Haughey maiden speech, Dáil 14/05/57; "personification", Fanning 1990: 103; as M/Justice, Mansergh ed. 4-7 and Maume 2007; proposals on Agriculture, Dáil 05/01/66

⁶⁶ on Ireland joining EEC without Britain and EEC aid for restructuring, Dáil 26/07/67; on dinner talk with de Gaulle, note by Whitaker on draft article by Joe Carroll of the *Irish Times*, 11/09/89, UCD: P175/096; on Haughey and Schmidt, interview with Martin Mansergh

could describe Lemass's 1959 *Programme* as the embodiment of the party's founding principles. Both of Haughey's parents had been active in the independence struggle and he was reared in very modest circumstances, educated through scholarship by the Christian Brothers and at UCD, where he excelled, coming first in Ireland in accountancy. He struggled to establish himself electorally, but was assisted by minister and veteran IRA leader, Oscar Traynor, whose ministerial assistant he became. Traynor, a social radical, had been instrumental in bringing Dublin's working class republican base to Fianna Fáil.⁶⁷

But Haughey's republicanism was also distinctive in that he was personally acquainted, through family ties, with conditions in the North. In the 1950s he had co-drafted a party paper on Northern strategy, often interpreted as promoting insurrection. In fact it described a revolt as inevitable given the conditions under which Catholics lived, and proposed that the state prepare to intervene when it occurred to channel it towards reform under Dublin direction. As Minister for Justice he justified de Valera's wartime suppression of the IRA as essential to defend Neutrality and in 1960 dealt with the IRA border campaign with special courts and internment. His allegiance to the state was unequivocal, his political *raison d'être*, as reflected by the minimalist defence he mounted in the arms trial, leaving the military defendants to argue the substance of the case and voting confidence in Lynch after his acquittal. He was no "subversive", and during the somewhat illusory Lemass/ O'Neill détente, Agriculture, while Haughey was minister, was one of few areas where a degree of cross-border cooperation was achieved. But that he was a serious nationalist is undoubted. In late 1969 he startled British officials by confidentially suggesting to them that Stormont was unreformable, a renewed "Lemass/O'Neil-type honeymoon" a "foolish idea", and the only solution a joint British-Irish government deal which could involve Irish concessions including even military bases or NATO membership.⁶⁸

Haughey had grown up in Donnycarney, a working and lower middle class district on the city's then northern fringe, with a strong trade union presence. By background he did not differ greatly from leading Dublin union leaders, such as

⁶⁷ De Valera on Lemass programme, McCarthy, J.F. 1990b: 53-4; Haughey biography, Maume 2007

⁶⁸ on 1950s memo, Ó Béacháin 2010: 234-5; "falsely interpreted", Kelly 2016: 29-36; Haughey on wartime executions, UCD: P176/347; North/South agricultural cooperation, Ó Béacháin 2010; on "minimalist" arms trial defence, Clifford, A. 2009, and suggestions to British, FO reports in *ibid.*: 661-3

the ITGWU John Carroll, also a scholarship-enabled Christian Brothers boy. He built a base first from the local GAA, in which he had excelled as a player, and the part-time defence forces, the FCA, in which he was a local officer. He did not share in popular moralising at the “irresponsibility” of striking workers or protesting activists, describing these as a “symptom of success”, as people seeking to better their lot in the new wealth and expanding freedoms of the time. He advocated resolving industrial conflict through institutional reform, worker/employer collaboration in expanding national wealth, and state funding of union and management organisations to modernise and professionalise them. He cultivated relations both with business and union leaders, especially the party’s natural allies in the ITGWU. Haughey regarded himself as a political, rather than business, entrepreneur, and recognised a similar trait in such leaders. These relations were of a type with those fostered by Lemass, but which Lynch, from a non-republican Cork trader background, never achieved.⁶⁹

These relationships help explain how Haughey’s sacking and arraignment, which were part of the general disorientation of Irish politics due to the Northern crisis, nearly collapsed tripartitism too. The Haughey-ITGWU relationship had been pivotal to its re-emergence, and his removal fatal to it.

The ITGWU was the most republican union in the ICTU. Republicanism was still a strong force in working class culture and hence in the ITGWU’s outlook. Haughey’s main contact with the ITGWU was its powerful general secretary, Michael Mullen, an ex-Labour TD who had served time for IRA activities. Mullen had tacitly supported pre-“Troubles” IRA social activism, which had included an incendiary incident at EI, General Electric’s Shannon-based Irish subsidiary, in support of a seminal union recognition dispute. This action had nipped in the bud plans by some multinationals, then just starting to invest in Ireland, to avoid unionisation, and led to the “sweetheart” agreements, especially with the ITGWU, arranged by the IDA with incoming companies thereafter. The ITGWU was also the only “southern” union, apart from the INTO, to organise among Northern Catholic workers. Many of its Northern members, such as Belfast “Republican

⁶⁹ on FCA and GAA networks, interviews with Kate Nugent and Eoin Brett and material on the Haughey family website www.charlesjhaughey.ie; Haughey on social unrest and unions, ‘The Future of the Left’, speech at TCD 08/03/61, in Mansergh ed. 1986: 3-4, ‘Protest stems from Progress’, 22/05/69, *ibid.* 109-10; on enterprising union leaders, Haughey 2014

Labour” MP and ITGWU official Paddy Devlin, were prominent in the Civil Rights Movement and the military defence of Catholic areas in 1969-70. Some became early victims of the conflict. During attempts to bring support, including arms, to besieged Northern communities – as publicly demanded by Devlin and others – Mullen liaised with the government’s “Distress Committee” managed by Haughey. A Belfast ITGWU executive member was arrested on arms charges and Mullen himself prosecuted for possession of a gun. He was later involved in secret cease-fire talks with the British, and when he died in 1983 his family had Haughey unveil his memorial in the Republican Plot in Glasnevin.⁷⁰

The arms crisis and Lynch’s *volte-face* ended government intervention in the Northern crisis, stabilising the state by disentangling it from the conflict. This retreat would propel the Catholic revolt into autonomous channels – as Haughey had warned a decade previously – but insulated the Republic from it. According to Martin O’Donoghue, Lynch embraced the EEC to avoid the “Republican trap of the North”, and his 1977 election manifesto devoted just two paragraphs to it.⁷¹

Lynch’s abandonment of a Northern intervention policy and his sacrificing of Haughey and others to achieve it destroyed the ITGWU’s willingness to cooperate with his government. The union continued to urge direct support for the Northern minority, including within ICTU, and to oppose security measures directed against republicans by both Lynch and the succeeding coalition, though some in the ITGWU dissented from this. Mullen lost the Labour whip in the Senate by voting against the Emergency Powers Act, as did later another ITGWU Senator, Chris Kirwan, for a similar reason. The ITGWU’s discontent with Lynch’s change of Northern policy was thus a significant factor in its June 1970 ending of ICTU’s policy cooperation with government, including on the NIEC, which was no longer under Haughey’s direction but that of Colley and Whitaker.⁷²

⁷⁰ On Mullen and EI incident, and “sweetheart” deals, Inf. from the late Conor Lynch, at the time a Cork IRA activist, also Allen, K. 1997: 129, Roche 1994: 139, Devine 2009: 523, 532, 605, 649; ITGWU victims of Northern crisis, *Liberty* passim 1969-72, Devine 2009: 602, 701; Mullen and Haughey’s Committee, Devine 2009: 517, 1094; ITGWU NC member imprisoned, Devine 2009: 599; Mullen charged, *Irish Times*, 27.02.1971; Mullen in truce talks, Puirseil 2007: 296; Glasnevin, Haughey, ‘Tribute to Michael Mullen’ 06/11/83, in Mansergh ed. 1986: 784-5

⁷¹ “autonomous channels”, Walsh, P. 2016; O’Donoghue in Begg 2016: 164; “manifesto”, Fianna Fáil 1977

⁷² ITGWU urges intervention, ICTU EC Special Meetings 18.08 and 03.09.71; ITGWU members dissent on NI position, Allen 1997: 146-50 and Devine 2009: 599, 641-3; Kirwan loses whip, Horgan 1986: 137

Chapter 3

Politics of retreat and revival 1970-81

Asymmetric impact: tripartitism in the 1970 Northern crisis

The context of the ITGWU's abrupt about-turn on national pay strategy following Haughey's sacking had other repercussions. Talks between the ITGWU and WUI on amalgamation, which were nearing fruition, broke down after WUI leaders denounced Haughey as the centre of a "bourgeois" conspiracy to revive "the decaying Nationalism of the North" and divide workers along "sectarian lines". The union had been founded on socialist principles in the 1920s as a split from the ITGWU, and by the 1960s its leaders regarded republicanism as a nationalist distraction from "class politics". Prior to the Northern crisis, with the national issue not prominent, common left-wing views had brought the WUI and ITGWU closer, reviving amalgamation talks and leading both to re-affiliate to the Labour Party. But the old rift now re-opened, with the Northern conflict central. This was reflected in a new but bitterly personal animosity between anti-Republican WUI leader Frank Cluskey and Michael Mullen of the ITGWU.¹

The crisis also reinforced ITGWU hostility to British-based unions, which had been challenging it industrially through competitive wage militancy but which now also, with their large membership among Northern protestant workers and despite the CP-inspired outlook of many of their leaders and activists, the ITGWU and others accused of tacit complicity in discrimination against Northern Catholics. Of the eleven members of ICTU's Northern Ireland Committee (NIC) just one – though the chair – was a Catholic, and of 78 full time union officials, just 16 were Catholics, almost all in "Catholic" unions like the ITGWU or INTO. An activist later prominent on the NIC, Andrew Boyd, recalled the influence of Freemasons even in the militant AEU, and how when starting his career as an official he had been advised to join them if he wished to "get on".²

¹ "bourgeois strategy", WUI ADC 1970, *Irish Times* 11.05.70 and Hanley and Millar 2009; on the new Cluskey/Mullen antagonism, Horgan 1986: 137

² ITGWU suspicions of ATGWU in the North, Merrigan 1991; NIC and officials, Campaign for Social Justice 1969; Boyd and "Freemasons", O'Connor, E. 2019: 99

ICTU had over 90 affiliated unions, the great majority small, craft or sectional ones. British-based unions accounted for less than 15 per cent of total membership, based mainly in the North though rapidly expanding in the South, while the two general unions, the ITGWU and WUI, accounted together for 30 per cent. On wage policy there was a block of about 20 per cent, mainly public service unions, supporting central agreements, especially on public pay, while British-based, craft and sectional groups, which were on principle committed to “free”, i.e. non-centralised, collective bargaining, had a combined total of 25 per cent. How the two large general unions “swung” was thus decisive, and as long as they favoured a central deal, there was a given majority for it. But the ITGWU’s turn after Haughey’s sacking created an ICTU majority against policy cooperation with government, though accepting the purely pay-orientated NWA.

An example of the movement’s changed political orientation under nationalist pressure arising from the Northern revolt was ICTU’s change of policy on the EEC. A decade previously, and despite reservations and left-wing and British-union opposition, ICTU had backed the government’s application, with ITGWU support decisive. In 1967 the ICTU, again with ITGWU support, backed the renewed application. But in mid-1970, at the height of the arms crisis, the ITGWU suddenly changed to strident opposition to both government and its EEC policy. Leaders who previously had supported accession now vigorously opposed it, many, like the rising Dublin firebrand and ITGWU Vice-President John Carroll, adopting the arguments of previously marginal left-nationalist anti-EEC groups such as the Wolfe Tone Society, Sinn Féin and the Irish Workers League.³

The ITGWU’s change of position had wide ramifications, not only for its relationship with Fianna Fáil. In the pre-“Troubles” 1969 election Labour, like the unions, had not campaigned against EEC membership. This now changed as Labour politicians, influenced by the ITGWU to believe in a growing working class disenchantment with the EEC, came out in mid-1970 to oppose it. Newly elected TDs Justin Keating, Conor Cruise O’Brien and David Thornley, backed by party-leader Brendan Corish, issued an anti-EEC manifesto, co-signed not only by

³ ICTU position 1961, Murphy, G. 2009: 171-235; initial ITGWU position, ITGWU AR 1962: 67 and ICTU 1962: 227-30; 1967 position, ICTU AR 1968; Mullen and Kennedy at ICTU ADC 1971; on the left groups and ITGWU support, Treacy 2012 and O’Halpin 2012

traditional anti-EEC union figures but now also by prominent ITGWU leaders. Keating declared that “the origins of the EEC lie in Hitler’s New Order” and Barry Desmond, a former ICTU officer later prominent in the European Movement, castigated it as a “neo-colonial trading block” dominated by a “cartel of multi-national companies”. Within two years Cruise O’Brien, Keating and Desmond would be among the most ardent champions of the EEC in government.⁴

The media were taken by surprise when the ITGWU conference in January 1971, which was characterised by general attacks on government across many areas, including the North, voted “virtually unanimously” to oppose EEC entry. Carroll became a regular speaker at anti-EEC rallies, and the new ITGWU position, to the dismay of many even in Congress, ensured that ICTU’s own conference two weeks later adopted the same stance. Lynch retaliated by rejecting ICTU’s request for a representative on the Irish negotiating team. In the event the electorate voted by 83 per cent to join the EEC, though a poll showed a lower though still 60 per cent majority of ITGWU members favouring accession.⁵

ITGWU friction with the Lynch government from May 1970 thus had deep roots beyond mere industrial relations. These informed its negative stance in the EEC referendum, which Haughey would certainly not have shared. Nevertheless, ITGWU leaders maintained their links with him, inviting him in October 1970 immediately following his acquittal to address the full union Executive, an honour unprecedented for a “capitalist” politician.⁶

Corporatist minimalism: the NWA system, 1971-76

Despite the disruption of the Northern conflict, the minimalist NWA that survived from Haughey’s more ambitious 1970 tripartite plan proved durable, a series of similar 12 to 15-month agreements following up to 1978. Government, nominally involved only as an employer, continued with the structure as at least providing an element of order in a disorderly wages system and especially as a

⁴ on 1969 housing demonstrations, Ó Béacháin 2010: 278, IT 22.01.69; change of Labour policy mid-1970, Puirseil 2007: 297, 300-1, O’Halpin 2012: 143-4 and Collins, S. 2012: 155-6; Labour EEC “Manifesto”, *Irish Times* 19.09.70; Keating quoted in Collins, S. 2012: 156-7 and Desmond in ICTU AR 1971: 380-411; “most ardent supporters”, Collins 2012: 158-9 and O’Halpin 2012

⁵ “virtually unanimously”, *Irish Times* 24.01.1971; ICTU conference position, ICTU AR 1971: 381-425; Lynch response, ICTU EC mtg. July 1971 item 4480; ITGWU vote and poll, Devine 2009: 629

⁶ Haughey invite, *Liberty*, Nov. 1970 and speech at meeting, Mansergh ed. 1986: 141

framework for public pay. Minimal tripartitism survived through secondary bodies, but neither Lynch nor his coalition successors sought any return to Haughey's wider framework. The NIEC had been disestablished and Hardiman describes its weaker reincarnation as the NESC as differing "in function from the earlier body", its reports "informative policy-oriented documents rather than consensus-building exercises", with dissenting opinions "frequently appended". As with Lynch, the Cosgrave coalition was strongly influenced by Central Bank governor, T.K. Whitaker, who in 1974 urged it against "allowing the unions to set the tone of the negotiations". "It should be for the government to take the initiative in securing, either by agreement or, failing that, by statutory enforcement, a limit on income increases". Unions should be made "agree to this course of action in advance of any concessions ... in the budget".⁷

The 1970s economy was hit by the global monetary, inflation and oil crises, the growth of the 1960s replaced by stagnation. But the turbulence of an opening economy continued, accelerated by EEC accession in 1973. The "Third Programme", driven from 1972 by the state's first recourse to deficit budgeting, initially continued, driving an expansion of welfare state and social spending. Liberalised trade led the workforce to expand, accelerated migration from agriculture into industry and improved industrial performance, with output rising over the decade by 62 per cent and exports increasing to 40 per cent of output, mainly through foreign firms. But industrial development was uneven, with new, mostly FDI-financed plants increasing employment in "less developed regions" by 57 per cent while traditional industries closing saw employment contract, mostly in the cities, by over 20 per cent. Job losses in older industries rose from 4,000 in 1970 to 19,000 in 1975, with an "unprecedented rate of change" seeing 92,000 new industrial jobs created by 1980 that had not existed in 1973 while 81,000 older ones disappeared. Multi-national employment expanded, mainly in new centres, while indigenous manufacturing contracted from 155,550 to 128,500, in a relentless process of "creative destruction", but at a cost of rising union discontent, especially in Dublin.⁸

⁷ "providing order", Murphy and Hogan 2008: 27; Hardiman 1988: 62; Whitaker in Chambers 2013: 240-1

⁸ Programme expansionism, Bielenberg and Ryan, 2103: 31, and exports/output, 83-87; IDA job figures O'Riordan 1976: 101-14 and White 1983: 51-72; "creative destruction" Whelan, Walsh and Qi Li, 2007

In this turbulent economy, the NWAs enabled a generally orderly wage development, particularly in the public sector. They granted percentage wage increases tracking inflation, though weighting by “flat” increases improved the relative position of the low-paid. But as inflation often surpassed these rates, successive agreements were often only narrowly agreed by unions. Varying scope was provided for top-ups based on improved “productivity” through clauses open to interpretation, and these precipitated the majority of disputes. Employers in distressed firms could claim “inability to pay”, a default position often pleaded by them at the Labour Court. The NWAs were poorly co-ordinated, with a “bewildering array” of start and end dates across sectors.⁹

Higher-wage multi-nationals drove wage expectations across the economy and the momentum of plant-level supplementary “productivity” claims drove a steep 35 per cent increase in union membership over the decade, to 527,000 or 65 per cent of the workforce. Wages “chased” inflation, and while NWAs maintained a kind of order, productivity claims drove opportunist bargaining, with the incidence of strikes, often unofficial, remaining high. These averaged 500,000 work-days a year, a strike rate surpassing even that of Britain in its 1978 “winter of discontent” and second only to Italy in Europe by 1979.¹⁰

These strikes, though numerous, involved relatively few workers, on average just 40,000 annually. In most of industry, where wages averaged just 70 per cent of British rates and employers sought to suppress these low wages to maintain “competitiveness”, workers relied on the NWAs to gradually improve their basic position. But the leeway for local bargaining meant that in stronger industries the NWAs were remembered by employers as having “failed miserably to keep wage growth in check”, an opinion shared by some union leaders. Exaggerating more than a little, Phil Flynn later conceded the NWAs were “more honoured in the breach than the observance” and Bill Attley recalled “the heady days of the seventies” when “the only issue ... confronting us was whether ... [to] take the money centrally or at the level of the enterprise”.¹¹

⁹ O'Brien 1981; also Gunnigle et al. 1999: 113, 194-9

¹⁰ MNCs and wages, O'Gorman and Carroll 1987: 150; union members, Nevin 1994: 393, strike figures 172

¹¹ strike figures, Nevin 1994: 395-97; employer view, Hardiman 1988; Flynn view, Hastings et al 2007: 28; Attley in ICTU ADC 1986: 221

The turbulence in industry was thus again largely a consequence of weak institutions, which was naturally exploited by workers to improve their position in the absence of alternative options or legal rights. This was compounded by sociological factors. Industrial transformation brought social change as Ireland moved from a mainly agricultural to an industrial society. Conflict was more common less in traditional sectors with long-unionised workforces than in new industrial plants, often located in previously non-industrial towns and involving new workers, “many rural and new to unionisation”, in towns such as Askeaton and Fermoy. British shop-floor militancy was an added influence, brought by thousands of emigrants returning to take up the new jobs at home, Ford’s expanding mega-plant in Cork being a case in point. The institution of the “shop steward”, hitherto unknown outside Dublin, spread rapidly.¹²

Weak institutions also facilitated debilitating inter-union disputes and membership “poaching”, especially in the expanding engineering and building sectors where labour shortage and competitive militancy drove wages, strengthening the anti-central agreement forces in Congress. The phenomenon was epitomised by the dispute at the Dutch-owned Ferenka plant in Limerick. It finally closed despite efforts by the ITGWU to achieve a compromise through the traditional route of the Labour Court and government intervention, when the sectional break-away MPGWU exploited what it ridiculed as ITGWU “moderation” to “militantly” outflank it on the shop floor with higher demands. This dynamic across industry assisted marginal sectional and amalgamated unions to grow at the expense of traditional ones. Membership of the British-based ATGWU in the Republic trebled to nearly 20,000, as did that of the “maverick” AGEMOU and MPGWU, while the ITGWU, despite a growing workforce, grew only modestly from 162,478 to 185,566 over the decade. Shop stewards committees, a new institution, emerged, which companies, to maintain production, had to engage with, rather than with official structures. By 1977,

¹² workers’ options, McCarthy, C. 1966; “rural and new”, Devine, 2009: 684-5, also Wickham 1980; “British” influence, Int. Ó Raghallaigh; “shop stewards”, Int. Geraghty

nearly half of all strike-days lost were in “unofficial” disputes as “management abdicated its responsibilities”, as one company study lamented.¹³

A parallel phenomenon of the 1970s was a large expansion of the welfare state and hence of employment in education, health, welfare and state agencies, and the effective nationalisation of working relations in formally voluntary bodies such as hospitals. Women entered the workforce, particularly through these public services, after the “marriage bar” was lifted and equality legislation introduced following EEC membership, soon accounting for 40 per cent of all union members. Though public sector disputes were constant, especially over “relativity” claims, the 1976 upgrading of the Conciliation and Arbitration (C&A) service - an exception as an institutional innovation in this period - enabled most “special claims” to be managed without resort to strikes.¹⁴

Barbara Castle’s *In Place of Strife* had influenced Haughey’s 1969-70 initiative proposing a “tripartite system” encompassing pay, industrial relations reform and industrial policy. Escalating conflict in British industry saw further initiatives, notably Heath’s 1971 Industrial Relations Act which was defeated by a miners’ strike, and Wilson’s Bullock Commission of 1975, which would report in 1977 recommending a continental-style “industrial democracy” solution. Reforms in many European countries widening worker participation ended widespread industrial conflict, and in 1975 the European Commission proposed that company law be amended across Europe along such lines.¹⁵

But neither Lynch nor the succeeding coalition undertook any comparable reforms, Finance Minister Richie Ryan disparaging economic planning in 1975 as based on “irrelevancies in the past, hunches as to the present and clairvoyance as to the future”. One exception was the transposing into Irish law of EEC equal pay and equality provisions in 1974, and Michael O’Leary’s White Paper of 1976 on worker directors in state industries. But these were minimalist reforms, with government disappointing ICTU on worker directors and seeking to defer equal

¹³ sectional disputes and anti-agreement tendency, ICTU ARs 1972-78 and Hardiman 1994: 151-3; “Ferenka”, ICTU EC mtgs., 1977 passim, *Limerick Socialist*, 6, 1977:10 and Devine, 2009: 614-9; membership figures, Nevin (ed.) 1994: 435-6 and Devine 2009: 684; unofficial strike rate, Hardiman 1988: 221-2, and in general, Int. Geraghty; Waterford management, Cooke 1990

¹⁴ On women, Daly, M. 1994; white-collar, Harold O’Sullivan, ‘Opening address to Seminar organised by Dublin Branches LGPSU’, 17/10/1980, ILHS: LGPSU-2

¹⁵ Castle see Chap. 2; also Bullock 1977; European reforms, Frieden 2007: 350, 367-9; Eur. Comm. 1975

pay. Even when this was rejected by the European Court, it was implemented in such a way as to provoke further disputes to clarify it. Equal pay was only finally conceded when ICTU threatened to withdraw in protest from the NWA itself.¹⁶

The NWA did evolve somewhat, with government conceding some linkage to budget provisions, as sought by ICTU, to secure an agreement during the 1975 inflation crisis. It expanded food subsidies as a counter-inflationary measure and a quid-pro-quo for a moderate settlement, and some in ICTU hoped to exploit this as a lever towards a return to a wider tripartitism. Government also expanded the C&A system in 1976 to mollify public sector unions. But with Fine Gael intent on government autonomy and Labour, ever suspicious of tripartitism, focused on welfare state expansion, neither, as one study put it, were inclined to move towards “a Scandinavian style corporatist state”.¹⁷

The ICTU itself was far from united on strategy. The dynamic of competitive militancy and scope for wage expansion through local bargaining meant that many unions – especially sectional and amalgamated groups – sought an end even to the modest NWAs. Leading ICTU officials were also ambiguous on the merits of NWAs. General secretary Ruairi Roberts, and his later successor, Donal Nevin, “careful, thoughtful men” from civil service backgrounds, had been formed by the Fabian socialism of Labour’s “Central Branch”. Their preference was for union bargaining freedom and a Labour Party legislating a British-style welfare state. They distrusted tripartitism as a Fianna Fáil-ITGWU stratagem to decouple the unions from Labour and basically preferred the state’s role in NWAs to be confined to that of the public sector employer.¹⁸

Unions however were also “modernizing” in a form that increased their preference for tripartite policy participation. They professionalised, with ICTU developing an extensive training/advisory service. Through this its state funding grew to exceed its union affiliation income by a third, and this expanded capacity greatly enhanced its formerly meagre four-man full-time team. The non-bureaucratic and loose coordinating role of the ICTU is well illustrated in

¹⁶ Ryan quoted in O’Riordan 1976; O’Leary White Paper and equal pay controversy, Int. O’Donovan and documentation in ILHS: LGPSU-2

¹⁷ “lever”, O’Brien 1981, Roche 1994: 158, Hardiman 1988; C&A system, H. O’Sullivan, ‘Revised Scheme of Conciliation and Arbitration (now in force)’, n.d. [1976], ILHS Archive: LGPSU-2; “Scandinavian”, Murphy and Hogan 2008: 27

¹⁸ Horgan 1986: 139-43: “public employer”, Inf. O’Riordan

the multi-tasking by this small core of officials. Donal Nevin, assistant general secretary, produced ICTU's main publication, *Trade Union Information*, "with the assistance of his wife Maura and daughter Anne". From 1972 the ITGWU built a research/training capacity of its own, what the union's president, Fintan Kennedy, called a "brain bank ... of dedicated experts". Many officials in these services had a university education, a rarity in trade union circles a decade previously, or were members of left-wing intellectual groups. Another modernising influence was the rapid growth of white-collar unionism and professional organisations affiliating to ICTU, such as tax officials, civil service technicians and even middle management groups. While on the other "side", employer bodies eschewed state funding, the state subsidised management training heavily, enhancing the role and influence of bodies such as IMI.¹⁹

Interaction at EEC level had a further "modernising" effect. Irish business organisations, particularly CII, engaged enthusiastically, opening an office in Brussels and becoming active in EEC level lobbying. Irish unions had previously had few systematic international contacts beyond attending conferences, but after the ETUC was founded in 1974, ICTU began to engage enthusiastically at EEC level. The role of EEC legislation, such as on equal pay, workers' rights and company law, converted many previously sceptical trade unionists to a more benign view of the community. ICTU employed a "European Officer", Patricia O'Donovan, funded by an EEC grant, to explain and transmit European directives, and ETUC policies came to play an increasing role in ICTU strategy. But this European influence should not be exaggerated, as the ETUC was itself a divided house, still excluding many, mostly communist inclined, national federations, and its consultative role at EEC level was as yet minimal.²⁰

From tripartite revival to "National Understanding", 1976-79

ICTU, with the general unions to the fore, adopted a policy in 1974, proposed by the ITGWU, advocating a return to tripartite "democratic economic planning". The FWUI, now headed by Paddy Cardiff, supported the proposal, though urged

¹⁹ Congress staff and income, ICTU AR 1985: 46; "sometimes with the assistance", Nevin obituary, IT 22/12/2012; "brain bank", Devine 2009: 635

²⁰ On CII, Power 2009, Int. Power and O'Sullivan; EEC progressive", O'Donovan: 1999, McCarthy, S. 2013 and Int O'Donovan; ETUC influence, Dølvik 1999: 43-76

that the NESC be upgraded from its current “purely consultative role” to a “key role in the actual formulation of the plan”. ICTU hosted a “summer school” in 1976, addressed by union leaders, including ITGWU economist Manus O’Riordan, as well as CII officials and former top civil servant T.K. Whitaker. Echoing Larkin, O’Riordan argued a sophisticated case for tripartite “economic and social planning”. Industrial strategy needed to balance increased employment and living standards against “proper proportions of national output” being “allocated between consumption, investment and public expenditure”. With a growing population, 30,000 new jobs would need to be created annually to achieve full employment, and many more higher-quality jobs would be essential if the aim of achieving average EEC standards of living, as stated in the Accession Treaty, was to be realised. With living standards currently just 45 per cent of that, a plan for a wholesale industrial restructure and upgrade was needed. Deciding priorities was critical given that the current rate of public expenditure growth, which exceeded that of GNP, could not continue, and financing it through increased taxation only depressed living standards and consumption. Planning required agreement on resource allocation, including wages and public expenditure, with unions needing to “prioritise the state expenditure ... crucial to meet employment targets” and agree managed wage growth compatible with these targets. The NESC was the appropriate body to be tasked with formulating such a consensus.²¹

The ICTU majority for such a strategy in the 1970s was narrow, with leaders cautious of returning to policy compromises and unions trading on competitive militancy openly hostile. But it was supported by the leaders of general unions that had been at the heart of the Lemassian system, the ITGWU and FWUI, who also sought institutional reforms along the lines proposed by the British Bullock Commission. Civil service unions too supported such an approach, as did the LGPSU, the largest force in the public service. O’Riordan’s formula for a tripartite strategy trading wage moderation for a role in planning industrial development and resource allocation, with the NESC at its core, became ICTU policy in 1976.²²

²¹ O’Riordan 1976: 51-66

²² Promoting Bullock, *Liberty* 1974-6 and O’Riordan 1976b; on LGPSU, O’Sullivan, ‘Industrial Democracy - Worker Participation in Decision Making’, 13/01/76, ILHS: LGPSU-2; ICTU policy, ICTU 1976b

Following the 1975 NWA, which included a cautious and minimal linkage to budget policy, ICTU pressed for a widening to a full tripartite agreement. In 1976, in deciding on the latest NWA, several unions only accepted it under protest, the LGPSU proposing it be rejected “in its present format” and seeking a wider framework covering job protection, welfare, tax reform and low-pay security. The ITGWU, when balloting on it, for the first time rejected an NWA, by 70 per cent, with the “sticking point” ostensibly employers’ increasing resort to pleading “inability to pay”. But the real reason was that the leadership had recommended rejection as a means to force a widening of the NWA to a “a co-ordinated policy approach over the whole field of socio-economic issues”. The NWA proffered by government was finally accepted by an ICTU conference by 240 votes to 215, against the ITGWU’s block vote, due to many smaller unions usually opposed to central agreements panicking at the consequences and voting in favour! The following year the LGPSU proposed a return to free collective bargaining in the absence of a wider plan and because of the “ever increasing restrictiveness” of NWAs. ICTU concluded a final NWA with the coalition in March 1977, though only on condition of accompanying tripartite talks “on economic and social matters”.²³

This offensive by the ICTU for a restoration of tripartitism, and particularly the ITGWU revolt, did not occur in a vacuum. Since the arms trial, Haughey had used his “wilderness years” to rebuild a political base, within and outside Fianna Fáil, not through factional “clientelism” alone, as often claimed. He made what Conor Lenihan describes as an “extraordinary effort” to win business to back a revival of the economic policy approach he had championed at Finance and also cultivated union leaders, especially the ITGWU’s Michael Mullen as well as its Vice-President, John Carroll, whom he regularly met. These impressed on him ITGWU’s ideas for a return to tripartitism, which Haughey eagerly adopted, requesting copies of any new articles by O’Riordan. He combined this alliance building with business and unions with repeated attacks on government borrowing for current expenditure rather than capital investment, and also directed criticism internally, criticising Colley’s abandoning of balanced budgets and the party’s expansionist

²³ “under protest”, ICTU AR 1977, Roberts, ICTU, ‘To all affiliated unions.: Proposed Interim Pay Agreement. Draft encl. EC recommendation’, 22/07/76, “enshrine”, “To Branch Secretaries, Documents for NEC mtg.: Proposed Interim NWA’, 09/08/76, ILHS: LGPSU-2; “sticking point” Devine 2009: 609-11; “restrictiveness”, O’Sullivan to Branch Secretaries, ‘Documents for NEC meeting - Resolutions adopted at Annual Conference’, 09/08/76, ILHS: LGPSU-2; “proviso”, Devine 2009: 610

1977 manifesto, written by O'Donoghue and O'Malley, from the launch of which he and Lenihan "silently absented themselves". Though still excluded from the inner leadership, Lynch had had to re-appoint him to the front bench in 1974.²⁴

On his return to the shadow cabinet, Haughey used an invitation to address a conference of the Dublin Chartered Accountants – a body he had helped found – to set out his ideas for a private sector-based, government-managed, industrial transformation within a fiscally controlled framework. In Lemassian tradition, he proposed that this be developed through a "consensus" of government and the major social interests. These, he said, could pursue their rival interests separately or their power could be harnessed in a common national economic endeavour. Echoing Lemass's description in his 1945 address to the ITUC of social interests as productive forces, and cleaving to ITGWU policy, Haughey described managing the wage/productivity relationship as the key to industrial growth:

"Trade union power is a socio-political fact which no legislation can diminish ... It is no use simply preaching to the trade union movement that the containment of wage claims is essential to future survival ... If the planning process does not permit trade union power to be exercised in developing the economic system we must not be surprised if it seeks its own ends independently ... The vehicle for that effort can only be participative national economic planning".

Such planning required, "as an essential part of its operation", "a consultation framework" in which "the short term interests of all groups would be thrashed out in the context of the overall growth of the national income" and common "outcome policies and goals" agreed. These were not perspectives advocated by Lynch and Colley, but accorded with those set out by Manus O'Riordan.²⁵

Fianna Fáil returned to power in 1977 on an expansionary programme. Tax cuts and the abolition of domestic rates were to fuel consumption, which, together with increased borrowing, would finance a state-driven industrial drive to achieve "full employment". Called by Roche Ireland's "Keynesian interlude", it

²⁴ "clientelism", Garvin 1981; Lenihan 2015: 82; Carroll and Haughey, Hastings et al 2007; "copies of articles", Int. O'Riordan; Haughey on coalition investment, Dáil 03/02/77; opposes manifesto, Lenihan 2015: 87-8, also Whelan, K. 2011: 194

²⁵ co-founds association, Inf. Séamus Lantry; 'Speech to Dublin Society of Chartered Accountants', 05/11/75, in Mansergh ed. 1986: 204-6

was doomed from the start as Keynes' formula applied to closed economies and was dysfunctional in a vulnerable open economy such as Ireland's. The manifesto, in which Haughey played no part, made no reference to wage agreements and only referred to "tripartitism" in its proposal for an "Employment Action Team" with business, unions and "community organisations" to develop "suitable employment schemes for school leavers and other young people". Actual economic planning would be strictly in-house, as recommended by Whitaker, under a new Department of Economic Planning and Development "consulting" with social interests. Martin O'Donoghue, a TCD economics professor and another Lynch economic policy advisor, was appointed Minister.²⁶

Whitaker's views on these issues heavily influenced Lynch and O'Donoghue. As Central Bank governor he had made clear to the Cosgrave coalition in 1974 his hostility to ICTU attempts to link budget policy and wage bargaining. Government must insist on "securing, by agreement or, failing that, by statutory enforcement, a limit on income increases" and unions must agree to this in advance of budgets. He set out his views on planning and tripartitism at the same 1976 ICTU conference at which O'Riordan had presented the union case for a partnership system. Whitaker argued that planning was the prerogative solely of government, not "social partners". It should propose a plan and then elicit comments through "consultation", with budgets serving as a "rolling" process of review and adjustment. Plan targets could not be pre-agreed and should involve "indicative" rather than "prescriptive" goals. "Democratic principles are not fully served by consulting only the major organised interests" which were "not necessarily coincident with the general community interest". Wage regulation was essential to investment planning but to ensure restraint "rather than link[ing] bargaining about pay rounds with the annual budget". As regards "the consensus issue", while consensus was useful for any plan, "the theory that people are always reasonable ... is not always valid". "No Minister for Finance could expect the advance agreement of drinkers to an increased tax on drink" and "there is even

²⁶ Roche 2009; Fianna Fáil 1977: 33

fainter hope of trade unions agreeing in advance to a temporary pay pause or pay restraint". His preference was clearly for statutory wage control.²⁷

ICTU expressed support for Fianna Fáil's expansionist manifesto, particularly its commitment to "full employment", while Labour-affiliated unions opposed any renewed coalition with Fine Gael because of its budgetary policies. A poll after the election showed that 65% of organised workers had voted Fianna Fáil, with support among skilled workers rising since 1969 from 40 to 54 per cent as those who had voted Labour abandoned it. Other issues also intruded, with ITGWU also opposing the coalition's Northern policy and Mullen resigning the Labour whip over the Criminal Law Jurisdiction Bill. As the Labour Party vote collapsed, left-wing factions broke away to form a short-lived "Socialist Labour Party" (SLP).²⁸

Following the election, ICTU reiterated its call for "participative planning" and "the extension of collective bargaining and industrial democracy", urging Lynch to "push the frontiers of ... bargaining beyond the field of wages and conditions". But Lynch, as when previously Taoiseach, embraced neither ICTU's nor Haughey's advocacy of a return to tripartitism, and retained the NWA system, while O'Donoghue's department developed industrial strategy autonomously. ICTU meetings with Government continued to be strained and inconclusive.²⁹

O'Donoghue's plans appeared in 1978 in the form of two "Green Papers", *National Development 1977-80* and *Development for full Employment*. While these had a Keynesian flavour, neither had involved union or NESC input, and the limited tripartitism proposed was along the lines of the rolling "consultation" or "political exchange" Whitaker advised. Government asked NESC to "comment" on the plans when they were already finalised, and, unsurprisingly, NESC's response therefore focused only on minutiae, avoiding reference to governance structures. While Lynch's planning conformed to the rather vague "social partner consultation" recommended by the EEC, it was consistent with the approach he had pursued in government previously. O'Donoghue's post-1977 expansionary plans appeared initially to bear dividends, with inflation halving in their first year

²⁷ Whitaker and Cosgrave coalition, Chambers 2014: 240; at ICTU conference, Whitaker 1976

²⁸ Post-election poll, Allen 1997: 150; Mullen resignation and SLP, Horgan 1986: 131-2

²⁹ "Participative planning", ICTU AR 1977; "push the frontiers", ICTU motions in NAI: Taoiseach/2009/135 /132/2; "strained" ICTU AR: 318-29 and ICTU AR 1979: 163-65

to 7.5 per cent, the economy growing by 9 per cent, and recruitment of the 20,000 promised new public sector jobs begun.³⁰

As the expiry of the coalition's last NWA approached, the new government proposed a similar successor agreement. But the ITGWU again sought a "broader package" encompassing social and economic planning and at a special conference in October 1978 ensured that ICTU voted by large majority only to discuss a deal that incorporated job creation, EMS conditions and tax reform. ICTU pressed this agenda on government at a meeting in November with Lynch and his "economic ministers". But while offering "consultation", Lynch refused to go beyond his offer of a limited NWA. The meeting ended with little progress being made.³¹

What changed the power balance in this stand-off was a popular tax revolt that began in early 1979, and how ICTU used it to leverage a broader tripartite agreement. The disproportionate and growing burden of income tax borne by PAYE workers had been a simmering issue throughout the 1970s and a driver of wage inflation. From 71 per cent of all income tax in 1975, PAYE had grown to 87 per cent by 1979. The trade union and left-wing press increasingly contrasted this with the near tax immunity enjoyed by farmers and professionals and others, with the SFWP emerging as an electoral force for the first time not least on this issue. Spontaneous walk-outs by union members in Dublin firms in reaction to Colley's capitulation to the IFA by withdrawing a proposed 2 per cent levy on farming incomes in January 1979 sparked growing demonstrations coordinated by Dublin Trades Council. While union leaders were wary of "political strikes" and ICTU officials, as well as Barry Desmond, a former Labour minister, criticising the movement, groups such as the B&ICO, which included ITGWU economist Manus O'Riordan, and the SFWP, whose influence was growing in the unions, saw the revolt as a re-awakened class politics and urged ICTU to use it to secure a full "economic and social" pact. When ITGWU's national executive decided to support the tax movement, protests grew, culminating in a one-day national stoppage involving 700,000 workers, the first since 1922, in advance of the 1980 budget.³²

³⁰ D/EPD 1978a-b; NESC 1978; plan "success" and cost, Whelan, K. 2011: 195, Foster 2007: 17

³¹ "broader package", *Liberty*, Aug. 1978; ICTU-Lynch meeting, ICTU AR 1979: 434

³² On SFWP, Walsh 1994, Hanley and Millar 2009; left/union press on tax "burden", *Liberty* (ITGWU) and *Irish People* (SFWP) 1977-9; "walk-outs" and tax revolt, Devine: 613, 778-9; on B&ICO, *Irish Communist*, March 1979; on SFWP, Hanley and Millar 2009, SFWP 1978; ICTU AR 1979: 268-80

In this atmosphere, ICTU's special pay conference in March 1979 rejected Lynch's proposed NWA, deciding to accept nothing short of a wide-ranging tripartite pay/policy agreement. It produced counter-proposals to O'Donoghue's *National Development*, proposing a pay agreement incorporating an industrial plan with specific job-creation, tax and social reform targets. Under pressure, Lynch agreed to a joint "Working Party", chaired by O'Donoghue, to develop a joint document, with sub-groups drafting sections on education, tax reform, employee participation, employment, and health. This appeared on 23 April as a draft "National Understanding for Economic and Social Development". But the ITGWU's block vote ensured this was rejected as inadequate by an ICTU conference in September, Mullen saying it failed to concretely link pay and tax reform, granted "pointless" "paper money" increases, much of which would return to "government and the rich" in tax and price increases. While it marked "a significant step forward", specific tax and job targets were essential.³³

Despite his large Dáil majority, Lynch's authority was fading from January 1979, with the media describing him as "tired" and his European Presidency as his "lap of honour", and he himself publishing memoir-like reminiscences in *Magill*. Following Colley's budget debacle and with the tax protests escalating, Fianna Fáil support plummeted. It lost two Cork by-elections and polled just 35 per cent in the first European election, its worst electoral performance since 1926. With government authority fading, unofficial industrial disputes multiplied, making 1979 the worst strike year on record. Lynch responded with predictable threats of wage controls, but had little option but to offer an improved "National Understanding Mark II", with some budget-linked tax reform as ICTU had sought. Ruairi Roberts welcomed his "effort ... to meet the trade union point of view", enabling an agreement such as "we have never in history seen".³⁴

The "National Understanding", effective from October 1979, had separate pay and non-pay aspects ("Parts 1 and 2"), as constitutional law prescribed the formal autonomy of both collective bargaining and budget policy. Pay, negotiated separately at the Employer-Labour Conference as had the NWAs since 1970,

³³ ICTU AR 1979: 268-80, NU text in *ibid.*: 257-66; "worker participation", D/Labour 1980 (March); "paper money", Devine 2009: 613; Carroll in ICTU ADC 1979: 286

³⁴ *Irish Times* quoted by Mansergh ed. 1986: 316; in general, Keogh 2008; "life and times", *Magill*, 3/2 1979; electoral performance, Lee 1989: 492-5 and Whelan, K. 2011: 193-8; Roberts in ICTU ADC 1979: 434

provided for inflation-linked increases over 12 months, with a “no-strike” clause and only limited scope for extra productivity or public service “special claims”. On policy, “Part 2”, negotiated with O’Donoghue, was conceived as longer term, not confined to the 12-month pay framework. It included incremental reforms in tax, working hours, worker participation and education, a Tripartite Committee on Employment, Sector Industrial Committees, a Commission on industrial relations reform, and National Enterprise and Employment/Training agencies.³⁵

But the “National Understanding Mark II” did not include either an integrated wage/growth formula or a tripartite policy system, nor did it establish either a delivery or coordination mechanism, or any strategic policy role for the NESC. It was thus a compromise between a consultative and a tripartite system, wrung from a reluctant government under electoral pressure led by a vacillating Taoiseach with little enthusiasm for any social partnership-type departure.

But ICTU was optimistic, in November circulating 120,00 copies of a *Review of Progress*. This declared: “the concept of the National Understanding is a trade union concept; it conceives of a society dedicated to social ends; it is for the trade union movement to ensure that the objective is fully and universally understood”. On ICTU insistence, the “Tripartite Committee” was quickly convened, and by December had met ten times and “commenced the work of seeking, sorting and selecting suitable projects” for its £20m enterprise support fund. ICTU optimism was reflected in Ruairi Roberts’ statement that the trade union movement now wielded “influence and power far greater than at any time in our history”.³⁶

But the optimism proved premature. By early 1980 ICTU was complaining that the Enterprise Agency, whose composition and structure had been finally agreed in November, was “not one whit further advanced”, the Sectoral Committees were “in the same state”, other promised bodies had yet to appear, and there had been no progress on the “Green Paper on Worker Participation” or promised initiatives in education. By the time Lynch resigned in early December 1979, little of the “Understanding” had in fact been implemented, with civil servants using the

³⁵ Text in ICTU AR 1980

³⁶ ‘Review’ in ICTU AR 1980: 120; “Tripartite Committee”, ICTU ADC 1980: 231-47, 393

interregnum of the Fianna Fáil leadership contest to disengage from a process many of them seemed to regard as inappropriate if not wholly distasteful.³⁷

New Deal: Haughey recasts the “Understanding”, 1980

Haughey had returned to national prominence in 1978-79 as Minister for Health and Social Welfare. He transformed that traditionally dull ministry – his appointment to which the US Ambassador and others assumed was intended to end of his career - into a powerful political base by modernising its structures and services and undertaking many low-cost but popular reforms. Within two years he initiated semi-commercial activities through agencies such as PARC to export health expertise to the Middle East, upgraded hospital services through public-private partnerships, introduced new welfare measures, particularly favouring women and the elderly, legalised contraception with a prescription-based “Irish solution”, and revamped contributory social insurance (PRSI) as sought by ICTU. His reforms were widely seen as “progressive”, including by the ICTU. The “Understanding” contained little on health and welfare as ICTU regarded its demands in these areas as already largely met in the budget.³⁸

Haughey used the popularity his new position conferred to intervene to resolve a major Dublin postal strike, although as minister for health he was responsible neither for the post office nor industrial relations. He mediated a solution with his ally, Michael Mullen of the ITGWU who, although the ITGWU was not involved in the dispute, was influential with Dublin trade unionists. Haughey secured cabinet acquiescence for his intervention, which must have been galling for Lynch and his circle. It nevertheless showed the powerful position Haughey had achieved long before Lynch’s retirement, and presaged a new approach a government led by him would bring to industrial relations.³⁹

Haughey had no involvement in the first “National Understanding”, which O’Donoghue, Lynch and Colley had negotiated, and it was unclear at first what he intended for it on becoming Taoiseach, especially as he signalled his priority

³⁷ ICTU AR 1980: 124; civil service disengagement, interviews with anon. D/Finance official and Attley

³⁸ Appointed minister, Lenihan 2015: 87, Whelan, K. 2011: 196-7; US view, DubEmb to Secretary of State 20/02/75, US cable 75-Dublin-1828, wikileaks; reforms, ICTU 1978: 201-04, ICTU 1979: 172-5, Devine 2009: 631, Ryle Dwyer, ‘Why Haughey now deserves some compassionate understanding’, *Irish Examiner*, 10/06/2006; on PRSI, ICTU 1978 201-2; S/W budget and NU, ICTU AR 1979: 160, 172-9

³⁹ On strike intervention *IT* 06.11.2014 and cabinet acquiescence, Lenihan 2015: 92

as cutting the budget deficit and, to Congress's alarm, immediately abolished O'Donoghue's Department. Lynch had resigned expecting Colley to succeed him, but to public surprise a backbench landslide saw Haughey become leader. Although encumbered with a hostile, Colley-loyal cabinet, Haughey immediately signalled policy reversals in key areas, abandoning Keynesianism for financial discipline ("living way beyond our means") and restoring an interventionist policy on Northern Ireland ("a failed political entity"). He also signalled radical change in socio-economic policy, moving the planning sections of O'Donoghue's abolished department, which had evolved from Finance's old EDD, to the Department of the Taoiseach as its "Economic and Social Policy Division", along with the NESC, merged the Departments of Public Services and Labour and announced an initiative to establish "orderly industrial relations". These moves indicated an intention to restructure the National Understanding by integrating a tripartite approach to economic policy, combining public and private sector pay, and initiating a process of industrial relations reform.⁴⁰

Haughey's first period as Taoiseach was dogged by the hostile cabinet he had inherited. Some openly plotted a reversal of the leadership election outcome and Colley himself expressed only conditional loyalty to him as leader, his deep hostility extending to leaking details of cabinet discussions to antagonistic journalists. The divisions were presented by the press as a clash of leadership values and policy, especially on the North, though also, as the second oil crisis took hold, on economic policy. O'Kennedy was the only cabinet member to have voted for Haughey as leader, being rewarded with the Department of Finance in place of Colley who refused to continue in the role. The new minister immediately announced that Government had an "open mind" on whether it would continue with the National Understanding at all.⁴¹

Haughey's links to business and unions served as a counter-weight to his precarious political position, but his decision to revive and restructure the failing "Understanding" was also consistent with his long-held position on how national bargaining should be shaped. He met the ICTU Executive in January

⁴⁰ Congress alarm, ICTU AR 1980: 121; on aims and D/EPD, Dáil 11 and 13/10/79 and 'Broadcast by An Taoiseach', RTÉ TV, 09/01/80, in Mansergh ed. 1986: 316-26

⁴¹ On cabinet alliances and events, Whelan, K. 2011; "open mind", Dáil 31/03/80

1980 both to assure it of his “full” commitment to the agreement once pay discipline was maintained and develop it beyond the uncoordinated Lynch/O’Donoghue model. In a veiled reference to events in Britain under its new premier, Margaret Thatcher, who had dramatically declared breaking union power her primary goal, he committed to tackle the “radical ... deterioration of the economic situation” not through “deflationary” methods but by combining “prudent” financial management with industrial expansion. He favoured “in principle” a new Understanding as the framework for this, though one “different from the current one”. In particular, and tellingly, he urged ICTU to move from employment targets to a growth formula as the basis for agreed strategy.⁴²

Haughey underpinned his talks with ICTU the following month by telling his Árd Fheis - to which, to much annoyance in anti-Fianna Fáil union circles, he was piped in by the ITGWU band with ‘A Nation Once Again’ – that he intended developing the National Understanding into “a new type of partnership between workers, employers and Government ... a better way of doing things” which “could show the outside world that we had at last found the way to handle this difficult, complex, but vitally important aspect of our national life”.⁴³

When the budget was published, Congress, while criticising its lack of any reference to “full employment”, agreed with the need for spending discipline and described its tax/welfare provisions as consistent with the Understanding. But, alarmed by O’Kennedy declaring that government might dispense with the agreement, ICTU sought another meeting with Haughey, at which Carroll told him that despite his assurances, little “progress on commitments” had occurred. For this he blamed Department of Finance hostility and the Minister himself, who had ignored requests for a meeting, and suggested that responsibility for the agreement be transferred to Haughey’s own Department given how its role had now been “enhanced significantly in the Economic and Social area”.⁴⁴

Haughey did not immediately act on Carroll’s proposal, initially moving the agreement from Finance to the new Department of Labour and the Public

⁴² Thatcher, ‘Speech to Conservative Party Conference’, 12/10/79, Thatcher Archive: CCOPR 1059/79; Haughey meeting with ICTU, report in ICTU AR 1980: 121-2

⁴³ ITGWU band, ‘ITGWU band to greet Soldiers of Destiny’, *IT* 15.02.1980 and Mansergh ed. 1986: 327; Haughey, ‘Presidential Address, 49th Fianna Fáil Árd Fheis’, 16/02/80, in Mansergh ed. 1986: 330

⁴⁴ ICTU EC mtg. 11/04/80; ICTU AR 1980: 131-41

Service, but he simultaneously bolstered the socio-economic capacity of his own Department by transferring NESC to its new E&S Policy unit under Pádraig Ó hUiginn and appointing department secretary, Noel Whelan, to chair it. These moves were part of a general radical expansion of the Department from its previous minor role as a government secretarial office, as he also transferred Northern policy, the arts and his other priority policy areas to it. He told ICTU that despite the Department of Labour and Public Service's remit on the Understanding they should treat Whelan as their channel for direct contact with government. He also activated the stalled institutions of the agreement, such as the Tripartite Employment Committee, the Manpower and Enterprise Agencies and various agreed educational initiatives. A renewed confidence among the unions was reflected in the large majority ICTU vote in May for entering talks with government on a new and more "integrated" National Understanding.⁴⁵

Modest expenditure cuts in 1980/81 began to reduce the current deficits, as it appeared at first the public expenditure crisis could be mastered. Although unemployment continued to rise, it was believed the economy was recovering. Haughey implemented Understanding commitments, approving the balance of the agreed public service jobs promised under it. New FDI continued to be secured, notably including Apple, the first major US computer firm to invest in Ireland, which opened a plant in Cork. Haughey innovated with economic initiatives even in foreign policy, securing both health and engineering projects for semi-state companies and increased beef sales in the Mid-East. He assisted this with the "Bahrain Declaration" which aligned Irish policy with Arab opinion on the Mid-East conflict and, as the first EEC state, recognised the PLO. With the optimism of an imminent recovery and the economic bounce of these stimulus measures, industrial disputes declined to their lowest level in five years.⁴⁶

The EEC played a part in Haughey's plans to reconfigure the National Understanding. He had long been an advocate of the EEC and in 1978, back to prominence in cabinet, strongly supported EMS membership and breaking with Sterling, which a wavering cabinet had ultimately decided to do against the

⁴⁵ ICTU EC mtgs. 22/01 and 11/04/80; ICTU AR 1980: 124-31, 143, 247

⁴⁶ Reduces deficit, Lee 1989: 502-3; 'Bahrain Declaration', O'Connor, P. 2012; "optimism" Bielenberg and Ryan 2013: 31-2; disputes, Nevin (ed.) 1994

opposition of Finance and the Central Bank, its former governor, T.K. Whitaker, warning Lynch it would be a “quixotic gesture”. Despite a view that Britain was in permanent post-imperial decline and that continuance of the link tied Ireland to a weak economy, it was a statement by a French minister casting doubt on Ireland’s economic independence from Britain that tipped the scales. “Ireland faced a clear choice”, then Central Bank governor, Maurice O’Connell, later said, “to go with Britain or Germany: we finally opted for Germany”. After 1979 Ireland within the EMS invariably supported German proposals, ensuring the IR£ closely tracked the DM. At the European Council in Dublin in November 1979, at which Thatcher first raised her famous demand, “We want our money back!”, Haughey met Helmut Schmidt, with whom he was immediately impressed and would form a close political alliance.⁴⁷

Although the Understanding ran to the end of 1980, Haughey moved early to prepare the ground with ICTU for a new and “different”, “integrated” successor agreement. He aligned his policy with EC priorities, which had a new urgency since the start of EMS and the adoption of “policy coordination” in 1979 under it. The European Council was divided over how to tackle the monetary crisis, but in June 1980, and despite British opposition, proposed that member states prepare monetary adjustment in “consultations with employers and labour” and in December recommended that in implementing “structural adjustments” to meet EMS requirements “a combined effort by Governments with the collaboration of employer and labour organisations is essential”. This coincided with Haughey’s preferred approach anyway, but further reinforced him in it.⁴⁸

Key union figures shared Haughey’s views on the shape a second agreement should take. Public services leader Harold O’Sullivan warned that while previous expansionary policies had greatly grown the public service, this had meant increased borrowing which in turn had caused the crisis in the public finances. Unions were partly to “blame”, he said, by having failed to “expand and deepen dialogue with Government” and for a tendency to see “the Understanding as little more than an NWA in new clothes” instead of a negotiated strategy of

⁴⁷ Decision on EMS and French statement, Honohan and Murphy 2010; “gesture”, Chambers 2015: 190; “opt for Germany”, Int. O’Connell; “track DM”, Lee 1989: 492, James 2012: 146-80; Thatcher, ‘Press Conference after Dublin Council’, 30/11/79, Thatcher Foundation; Haughey and Schmidt, Int. Mansergh

⁴⁸ European Council, 1980 (June) and 1980 (Dec.)

social and tax reform in sensible monetary parameters: “If monetarist policies are to be avoided, some consensus will be needed with Government on this”.⁴⁹

With ICTU support and EC Council encouragement, Haughey offered talks on a Second Understanding. While pay would be negotiated through the ELC, the “non-wage” aspect was to be negotiated with the E&S unit of his own Department, with he himself, as Taoiseach, playing a central role. If Lynch’s Understanding had been a “redistributive” expansionary plan, his would be based on a consensus economic strategy for a recessionary context.⁵⁰

While on ICTU insistence, and against Haughey’s preference for a growth formula, the new Understanding retained “full employment” as its primary goal, it accepted the principle of expenditure controls. The pay deal combined the NWA percentage-plus-“flat-rate” approach, providing for about 17 per cent, or roughly equivalent to inflation, over 15 months. Budget linkage was provided through welfare benefit and PAYE reform commitments. The pay deal simplified the spread of dates under the previous Understanding into a single two-phase schedule, tied to “industrial peace” through a pledge signed by unions and employers in each workplace, though allowed for some “local” bargaining on limited specific issues subject to Labour Court adjudication. The second phase, due from June 1981, could be revisited if inflation exceeded projections, and the recourse by employers to “inability to pay” was replaced by a company-by-company approach for distressed firms, with the decision on whether viability or employment were actually threatened reserved to the Labour Court.⁵¹

Harold O’Sullivan, chair of the ICTU’s powerful Public Services Committee, said the new Understanding “dissipated the threat” of a “monetarist” strategy, having combined, as recommended by the EC, wage moderation, financial discipline and budgetary targets within EBR goals, while protecting employment and agreeing measures on industrial strategy, health, welfare, tax and supports for the unemployed and deprived. Improving public service efficiency and a “root and branch” reform of industrial relations were included

⁴⁹ O’Sullivan, ‘Opening address to Seminar organised by Dublin Branches LGPSU’, 17/10/1980, ILHS: LGPSU-2, Exec. Board papers

⁵⁰ ‘Meeting with Taoiseach’ in ICTU AR 1981

⁵¹ ICTU AR 1981: 210-23; Power 2009: 52-4

with further provisions promoting employee participation in companies at board and local, plant, level.⁵²

Other non-pay elements included employment-boosting commitments on IDA advance factory completions, central and local government infrastructure investment, house building, industrial training, a £79m Enterprise Agency fund, the ring-fencing of welfare, a £10m joint government/employer-financed “Employment Guarantee Fund”, youth work-experience/training programmes, expanded worker consultation and other measures. Talks were promised on fundamental industrial relations reform, paid maternity leave, anti-poverty measures, education, child-care, labour and welfare reform. Tripartite working groups would be established to draft detailed proposals for each area.⁵³

Despite later accusations, notably by Charlie McCreevy, that this package was a negation of Haughey’s promised counter-expansionary policy, the EBR parameters, conditionality of the second phase and restrictions on additional claims in fact locked the agreement into a controlled spending framework, as Harold O’Sullivan stressed. ICTU recommended acceptance of the package and, with anti-agreement unions subdued by Thatcher’s offensive against union power in Britain, it was overwhelmingly endorsed. Not only did a 77 per cent majority in the ITGWU accept it, but so did a majority of members of the traditionally anti-collaboration ATGWU who ignored their leaders’ call to reject it. Public service unions overwhelmingly supported it and the ICTU conference on 23 October endorsed it by an 80 per cent margin. John Carroll of the ITGWU declared: “if the trade union movement were told tomorrow, ‘you take over’, the type of programme they would seek to implement would be, almost line for line, as set out in the Proposals for a Second National Understanding”.⁵⁴

This extraordinary endorsement by ICTU unions, with Haughey’s special relationship with the ITGWU at its core, contrasted with the divided business/ employer camp, which, influenced by events in Britain, sought a strict counter-

⁵² O’Sullivan, ‘Opening address to Seminar organised by Dublin Branches LGPSU’, 17/10/1980, ILHS: LGPSU-2, Exec. Board papers

⁵³ Government of Ireland 1980 (July)

⁵⁴ McCreevey interview, *Sunday Tribune*, 27.12.1981; O’Sullivan, ‘Opening address to Seminar organised by Dublin Branches LGPSU’, 17/10/1980, ILHS: LGPSU-2, Exec. Board papers; union ballots, Devine 2009: 705; public service vote, Executive Board mtg., 26/04/79, ILHS: LGPSU-2; ICTU conference, ICTU AR 1981.: 75-9, 240, 246; Carroll in *ibid.*, 240

inflationary strategy instead. While the industry lobby CII decided to endorse the Understanding for both the stability and involvement in planning it promised, FUE demurred. In a characteristic intervention, Haughey forced their hand in an “unscheduled and unprecedented visit ... to their headquarters” when their General Council was in session, arguing the merits of consensus over confrontational “monetarism”. While avowing “prudent financial management”, he conceded that some “slippage on borrowing” was probably inevitable but a price worth paying to prevent the “economy collapsing”. He undertook to include business-friendly reforms in his 1981 budget but also indicated that if employers still rejected an agreement he would conclude a public sector one anyway that would set a benchmark for the private sector. The FUE reluctantly endorsed the agreement, while listing its various reservations about it.⁵⁵

From implementation to crisis 1980-81

Implementation of the second Understanding began in late 1980. Industrial disputes continued to decline and many of the agreed initiatives commenced. Working parties on education and social reform were formed and the Enterprise Agency and Sector Industrial Committee established, the former chaired by Mark Hely-Hutchinson, a leading figure in Guinness’s and Bank of Ireland, and the latter by Department of Taoiseach secretary, Noel Whelan, with a remit to stimulate entrepreneurial and productive capital investment projects, both state and private sector-led. The Employment Guarantee Fund, co-financed by an employer levy, eventually funded 33 projects creating 2,800 whole-time jobs. Final pay terms had been agreed in October and the first phase increases paid. On workers’ participation, a “Joint Participation Committee” piloted in the IIRS was judged “reasonably satisfactory” and it was agreed to extend the model to local authorities, Health Boards and other state agencies.⁵⁶

The new Understanding lacked an overall joint coordination body, but this didn’t cause noticeable dissent. Government shared the European Council’s

⁵⁵ CII position, Power 2009: 53-4; Haughey intervention, Power 2009: 54 and Murphy and Hogan 2008: 587, 591; “unscheduled”, Allen, K. 1997: 160, ‘Haughey rules out deflation’, *IT* 18.10.80 and ‘Haughey’s role in FUE talks’, *IT* 21.10.80; “slippage”, *Dáil* 21/10/80; “benchmark’ threat, Hardiman 1988: 212; FUE decision, *FUE Bulletin*, Nov. 1980

⁵⁶ Implementation and chairs, ICTU AR 1981: 120-27 and ‘Sectoral committee meets’, *IT* 15.05.81; EGF projects, Power 2009: 53; first phase, LGPSU, ‘LG&PB Div. Exec. Mtg.’ 07/11/80 and ‘Report on Agenda LGPSU Exec. Board’, 14/11/80; “Joint Participation”, LGPSU Exec. Board mtgs. 28/05, 05/06, 14/08/81

optimism that with EMS stabilising interest and exchange rates, strategies involving “intense consultation with the social partners” and combining “prudent monetary policies, healthy budgetary management, and the reorientation of public and private sector expenditure in the direction of productive investment”, would master the crisis. Haughey told the ICTU that EMS deficit targets could be achieved, while funds accumulating domestically as a result of EMS would fund public/private capital investment without a need for recourse to increased foreign borrowing. He added that he planned to “set the target for infrastructural development as high as possible”. His 1981 budget reduced current spending and the excess of actual over projected deficit, while increasing short-term welfare benefits, modestly reducing PAYE taxes and committing £1.5bn to the capital programme. He told his April 1981 Árd Fheis that the new National Understanding had helped restore discipline to the public finances, reduced industrial disputes to their lowest level in years and averted the social confrontation widespread “elsewhere”, meaning Britain.⁵⁷

In a move of particular importance, Haughey also revived the long-neglected NESC, as sought by ITGWU, requesting it henceforth to “report to government through the Taoiseach”. He asked it to prepare proposals regarding its own future strategic role. In responding in February 1981, NESC, emphasising its unique role combining the major social interests, policy makers and economic experts, requested a mandate to develop a consensus approach on “strategic policy issues” and review government socio-economic policy, instead of as heretofore commenting on individual policies at government request. It had first intervened on national strategy in 1978 when in response to a government request it had issued “Comments” on O’Donoghue’s *Full Employment* plan. But now sought a pro-active strategy-proposing role. Haughey immediately agreed, and this resulted in a prodigious output that very year, with reports on Ireland’s socio-economic position in the EEC and “Aims and Recommendations” for national socio-economic policy. In July 1980 Haughey had already suggested it develop a comprehensive review of industrial policy, which would eventually result in the ground-breaking October 1982 report, *Policies for Industrial*

⁵⁷ EC Council 1981 (March); Haughey at meeting with ICTU EC, ICTU AR 1981: 120-1; budget, Lee 1989: 502-3; Haughey, ‘Presidential Address, 50th Fianna Fáil Árd Fheis’, 11/04/81 in Mansergh ed. 1986: 469

Development, which J.J. Lee later described as a watershed, initiating “the first serious debate on industrial policy for more than twenty years”.⁵⁸

But hopes for economic recovery began to evaporate from early 1981 as GDP across the EC contracted by 1 per cent and unemployment rose. The deepening recession was due to the continued instability of the global monetary system since the US had abandoned the gold standard, to which EMS itself had been a response. The optimistic forecasts of 1980 gave way to admissions of structural recession, which the Commission now described as “much deeper, wider and more persistent than had been anticipated”. Irish inflation again topped 16 per cent, unemployment rose and exchequer figures showed a deficit 40 per cent higher than predicted. Despite even more radical expenditure cuts in the UK, its inflation also soared, to 18 per cent, with unemployment reaching 2m, while Germany entered its first sustained post-war recession. It was now accepted that the economic slowdown was no temporary reversal due to the latest oil price hikes, but a deeper structural crisis and monetary policy failure.⁵⁹

In response to the sudden inflation rise, ICTU sought an adjusted increase in the second pay phase while county councils pleaded the need to defer payment of special awards. Private employers called for a freeze on all pay increases and agreed to discontinue contributions to the Employment Guarantee Fund. Government froze all spending commitments and promised tax reforms. The Minister for Finance approached Congress for talks on deferring special awards given “the community’s inability to find the resources to meet further special increases without risk to jobs and the viability of the economy”. Internally, ICTU leaders accepted that compromise on these issues would be necessary.⁶⁰

In March 1981 Haughey discussed the crisis, EC policy co-ordination and the “UK problem” with Helmut Schmidt, telling him Europe needed an economic policy. He told his Árd Fheis that the National Understanding would have to be reconfigured in light of the crisis, though not abandoned as some of his cabinet

⁵⁸ New role, NESC 1981a; “first intervention”, Hardiman 2002: 8; 1981 reports, NESC 1981b-d; Haughey and Industrial Policy, NESC 1982; Lee 1989: 504

⁵⁹ US monetary crisis and EMS, Frieden 2007, James 2012; “much deeper”, ‘Recession deeper than expected’, *Irish Times*, 27/03/81; situation in Europe, European Council 1980 (Dec.) and ‘From Bad to Worse’ (editorial), *Irish Times*, 02/04/81

⁶⁰ ‘Unions seek new talks on pay’, *Irish Times*, 19/03/81 and ‘ICTU relations with employers worsen’, *Irish Times*, 23/03/81; “internally”, LGPSU, ‘Report on Agenda, LG&PB Div. Exec. Cttee. Mtg.’ 10/04/81

opponents proposed. He decided on a general election in May, hoping to secure the overall majority polls indicated he could attain and finally establish his authority. But renewed crisis in the North led to the intervention of “H-Block” candidates who denounced his handling of the hunger strikes. These mobilised considerable support, with John Carroll of the ITGWU prominent in the Dublin H-Block movement, and denied Haughey the majority he sought, again illustrating the on-going impact of the Northern conflict on southern politics.⁶¹

Haughey’s weakened position led to increasing public attacks on the National Understanding by farming and business interests, who demanded a 12-month pay/price freeze as “part of an all-out Government campaign to curb inflation”. While ICTU called for commitments and C&A rulings to be honoured, employer claims for the second phase increases to be deferred through local agreement were increasingly upheld by the Labour Court, keen to avert a formal FUE withdrawal from the agreement. Government criticised the “precipitative deflationary action” sought by employers as it would only serve to dampen demand and could provoke “widespread industrial and social unrest”, but the media increasingly portrayed this position as that of a Taoiseach who now found himself a prisoner of “interest groups” and “fearful of unpopularity”.⁶²

Union leaders’ acceptance of the need to adjust the National Understanding to counter recessionary pressures and the continued if weakened preference of business interests to remain involved with government might have sufficed for a successful restructuring of the agreement to be negotiated. But Haughey did not get the opportunity to attempt this as he lost the election, to be succeeded by a new Fine Gael/Labour coalition. The new government initially declared its intention to continue with the National Understanding, but by re-structuring it by separating pay, budgetary strategy and industrial policy, and reverting to its public service-centred approach of the mid-1970s, it would ensure its demise.

⁶¹ ‘Confidential. Meeting between Taoiseach and Chancellor Helmut Schmidt in Bonn’, 31/03/81, NAI: 2012/90/926/3; Haughey, ‘Presidential Address, 50th Fianna Fáil Árd Fheis’, 11/04/81, in Mansergh ed. 1986: 466; “opponents”, McCreevey interview, *Sunday Tribune*, 27.12.1981; 1981 election Murphy, G. 2016 and Whelan, K. 2011; Carroll in English 2004: 203

⁶² “NU” crisis, ICTU AR 1981: 75-9; “urged parties”, ‘Report on Agenda for Executive Board mtg.’ 28/05/81 and 05/06/81; “rejects precipitative action”, ‘Observations ... on CII points as elements of a five-year industrial programme’, n.d [May 1981], for ‘informing a reply by Michael Woods to Liam Connellan of the CII’, UCD: P176/183; ‘Haughey: fearful of unpopularity’, *Irish Times*, 25.05.81

Chapter 4:

Partnership and autonomous government 1981-86

Breakdown under the Fine Gael-Labour coalition, 1981-82

The minority coalition government formed in June 1981 and headed by Garret FitzGerald would fall within eight months over a contentious budget. The same coalition partnership, under the more conservative Cosgrave leadership, had successfully managed the wage agreements of the 1970s, even expanding them, however reluctantly, to incorporate minimal budget and social policy aspects in the 1975-76 inflation crisis. The FitzGerald government claimed initially to favour retaining the Understanding framework, but within months had discarded it. This decision, and the retreat to a narrower pay framework, again demonstrated the core party political divergence on corporatist solutions.

FitzGerald, from the urban liberal wing of Fine Gael, saw himself as a “social democrat”. He claims that when starting out in politics he had considered but decided against the Labour Party, principally because of its “dependence on the trade union movement”. He had nevertheless been an enthusiast for Lemassian economic planning. As a minister in the 1970s coalition he had often sided with Labour on social policy issues against his party colleagues and supported the broadening of the NWA in 1975, even praising the NESC’s role in achieving it. But while favouring pay agreements he remained essentially hostile to “consensus” policy making, having argued in 1970 that while a body like the tripartite NIEC might recommend an approach, it was compromised by the “limitations” of “consensus”. Government should determine policy. But during the 1981 election campaign he criticised Fianna Fáil’s 1980 tax concessions only for not having formed “part of a less inflationary national understanding deal”.¹

Labour unexpectedly lost seats in 1981 in its poorest electoral performance since 1957, reducing its bargaining power in the coalition. Major affiliated unions opposed it coalescing with Fine Gael and some Dublin TDs advocated an

¹ FitzGerald on Labour Party and NESC, FitzGerald 1991: 67, 295-304; “limitations of consensus”, FitzGerald, ‘NIEC report on incomes and prices shows backward progress’, *IT* 15.04.1970 and ‘Wage-price spiral can lead to economic stagnation’, *IT* 01/08/70; “less inflationary”, ‘Government handling of incomes policy criticised’, *IT* 04.05.81

arrangement with Fianna Fáil instead. But, as ever, a majority prioritised the exclusion of Fianna Fáil from government. Labour also stated a preference for a national pay agreement but with economic planning returned to government.²

The new “Programme for Government” proposed to continue prudent fiscal management with an eventual return to expansionary policy. Besides a range of social reforms, ring-fencing welfare, extending provision, and some tax reform, it pledged to avoid pay freezes and honour arbitration awards in the public sector. Economic policy prioritised “getting inflation down to EEC levels”, with wage determination through “free central wage bargaining” within pay/price “guidelines” to be recommended “by an independent body” – i.e. the ESRI - to maintain “competitiveness at home and abroad”. Industrial policy would be the remit of a new “National Planning Board” (NPB) composed of “the key economic and social Ministers” and “representatives” of unions, employers, farmers, youth, consumers and “public agencies”, “presided over by the Taoiseach”. This would draft a “four-year plan”, to be implemented by a Minister for Economic Planning and Development. The proposed approach was a return to side-lining the NESC, separating pay and economic policy, and post-hoc “consultation” on government-driven plans, as had also been Whitaker and Lynch’s preference.³

FitzGerald appointed an “independent expert body” in the form of a Committee on Costs and Competitiveness. This consisted of three academic economists - Professors Brendan Walsh (UCD), Dermot McAleese (TCD) and Terence Baker (ESRI) - dubbed the “Three Wise Men” after a similar grouping at EC level. Their role was to recommend price/incomes “guidelines” and in August 1981 they proposed an incomes freeze, a public sector employment embargo, increased indirect taxes and drastic cuts in foreign borrowing. FitzGerald accepted the advice, alarming ICTU by declaring that while a “national wages agreement” was “vital”, it must be within these guidelines.⁴

For Labour, Barry Desmond, a former ICTU official, conceded the need for a “temporary pay pause”, but championed a new National Understanding as a

² ITGWU/FWUI reject coalition, *Irish Times* 22.06.81; Dublin TDs, FitzGerald 1991: 359; LP manifesto 1981

³ On PfG commitments, LGPSU, ‘Report on Agenda, LG&PB Div. Exec. Cttee. mtg.’ 10/04/81 and ‘Fine Gael and Labour set out aims for government’, text of programme, *IT* 29.06.81

⁴ ‘Living 10 per cent above means – FitzGerald’, *IT* 15.08.81; European Council 1979 (Dec.) and 1980 (Apr.); ICTU AR 1982: 132

“prerequisite” for a fair approach to “economic and social planning”. Otherwise the “weak, those on low incomes and the unorganised” would “lose out”. To soften the prescriptions of the “Three Wise Men”, he proposed that the NESC be “incorporated” into the NPB. But this would have negated both the purpose of the NESC and the pay/policy continuum of the Understanding. In essence, his position reflected continued Labour antipathy to Fianna Fáil corporatism.⁵

But with the public finances in a worse condition than anticipated, and a weakened Labour Party in little position to dictate policy, FitzGerald reverted to traditional Fine Gael solutions, i.e. deflationary price/income controls, tax increases and expenditure cuts. He sought NESC endorsement for his approach, whose chairman’s draft reply was leaked before the council considered it. This supported the proposals of the “Wise Men” adding only that controls should extend to all incomes, not just wages, and was certainly influenced by Whitaker, the dominant “expert” on the council and advisor to FitzGerald. ICTU’s NESC representatives dissented, querying government’s ability to control non-wage incomes or prices. Pat Rabbitte of ITGWU described the leaked proposals as intended to undermine any chance for a new agreement, and even the FUE saw them as “more theoretical than practical”.⁶

Within weeks of the coalition’s formation, and despite election commitments, any potential for a new National Understanding had evaporated. Employers backed government’s preference for a pay pause, adding that the policy aspect of previous Understandings had been agreed between government and unions without their input. Fine Gael ministers declared that while “social partners” might be consulted, they had “no right to decide important social and economic policy”, and matters “such as education and maternity leave, which bear no direct relationship to incomes ... should not be the subject of bargaining”.⁷

This separation of pay bargaining and economic planning led FitzGerald, despite the receding hopes for fruitful pay talks, to meet ICTU anyway to discuss the three-year “national plan for economic and social development” he hoped to publish “before end of year”. Some institutions of the Understanding were

⁵ ‘Desmond against wage free-for-all’, *Irish Times* 18.08.81

⁶ ‘FitzGerald seeks to control all incomes’, *Irish Times* 24.08.81; ‘NESC calls for 18-month freeze on income rises’, *Irish Times* 27.08.81; ICTU AR 1982: 200-1; Rabbitte and FUE quoted in *Irish Times* 28.08.81

⁷ *Irish Times* 28.08.81

retained, such as the Sectoral Developmental Committee, or, like the Enterprise Agency, abolished on the promise that their functions would reappear in the planned “National Development Corporation”. While still aspiring to a “new National Understanding”, unions adopted to the new situation, with an ICTU conference in September 1981 voting 3-to-1 to “explore the possibility” of a pay agreement with employers only and “negotiate separately with Government on ... trade union policy on social and economic matters”.⁸

FitzGerald again met and “consulted” ICTU in December 1981, encouraging them to pursue a private sector “central agreement” with employers. The NESC position when published, while amended from the leaked August draft, still advocated a pay pause and incomes/price controls, and ICTU refused to sign it. Union disillusionment at the ending of tripartite wage/policy bargaining was apparent in a bitter ITGWU appraisal which declared “the word [had] failed to become flesh”, the institutions established in April-May 1981 having proved to be a Fianna Fáil electoral ploy and stalling by civil servants having enabled the Coalition dispense with them “with contempt”. But ICTU President Paddy Cardiff mourned the demise of the National Understandings, “a brave, original and creative attempt to broaden the scope of centralised bargaining”.⁹

Abandoning tripartite planning did little to enhance state control of income/price development. Government itself rather absurdly pleaded “inability to pay” to justify a proposed 18-month public service deal which, despite inflation of over 10%, would freeze pay for a year, followed by increases capped at 7 per cent, and with the private sector expected to follow suit. Private sector talks at the Employer-Labour Conference collapsed when employers insisted on holding to this “government guideline” and unions on maintaining wage values. Pressed by Labour, FitzGerald acceded to a 15-month public pay deal matching inflation and weighted to the low-paid, though freezing special claims. ICTU declined to recommend it but its weary public sector membership balloted to accept.¹⁰

⁸ “before end of year”, ICTU AR 1982: 114; institutions retained, *ibid.* 205-6; “aspiring”, LGPSU Exec. Board mtg. 25/09/81; union vote, ICTU AR 1982: 127

⁹ FitzGerald-ICTU meetings, ICTU AR 1982: 127-30, 179; NESC 1981d: 91-94 and ICTU AR 1982: 201; ITGWU response, *Liberty*, Nov. 1981; Cardiff quoted in Devine 2009: 763

¹⁰ ‘Government has not broken pact – Kavanagh’, *Irish Times* 11.09.81, ‘Government will not intervene to save pay talks’, *Irish Times* 02.11.1981, and ICTU AR 1982: 131; ELC breakdown, ICTU AR 1982: 129-30; agreement “wearily” accepted, LGPSU, ‘Report for Agenda, H&W Div. Exec.’ 22/01/82

No side was content, farmers accusing the coalition, “like its predecessor”, of “abandoning its anti-inflation programme”, the CII decrying the deal for setting “an utterly unreal example” for private industry, and the FUE condemning its reneging on the pay pause, “ignor[ing] the implications for the private sector”. Settlements in the private sector nevertheless mostly followed the terms of the public deal, though few of those without bargaining power received any increases. Government, which Congress accused of seeking “to run the economy by diktat and economic lecture”, resorted to increasingly draconian measures, cutting spending and increasing taxes that severely reduced wage values, and embargoing a third of public service vacancies. It dispensed with public service “special claims” by simply not re-appointing the Arbitrator. Strike days rose by a third in 1981 while the budget deficit climbed to 7.3 per cent. While “discarding” the National Understandings it ended up with a rancorous old-style public pay agreement that antagonised unions and employers while alienating expert economic opinion. The Coalition fell by a single vote in February 1982 over a budget imposing VAT on children’s clothes and shoes.¹¹

In opposition Haughey had contended that his gradualist approach to current expenditure reduction and capital investment, with a recovery of revenues through revived growth, was the only way “to avoid serious economic disruption and greater unemployment”. Having eschewed a tripartite consensus in favour of deflation, the FitzGerald government also failed to achieve an electoral consensus, and lost the February 1982 election, being replaced by a further minority Haughey administration. On Haughey’s threatened return, Whitaker resigned from NESC, reminding its chair both of his opposition to socio-economic planning being moved from Finance to the Department of the Taoiseach - which FitzGerald, while also criticising the move, had not reversed - and his belief in the need for “effective means of keeping incomes and costs from rising faster in relation to real output than in countries with which we compete”, i.e. statutory wage controls.¹²

¹¹ “farmers”, ‘FUE, unions consider new wage talks’, *Irish Times* 17.12.1981; CII view, ‘Employer group condemns pay deal’, *Irish Times* 17.12.1981; FUE view, ‘Employers challenge Government pay proposals’, *Irish Times* 22.12.81; “settlements”, ICTU AR 1982: 125-6; “diktat and lecture”, *IRN*, 30.10.1981

¹² Haughey in Dáil 21/10/81; Whitaker to Noel Whelan, NESC, 10.02.1982, NESC Archive: Box 3

Revival in another Haughey interlude, 1982

The first budget of the new Haughey government, in March 1982, retained the coalition's spending cuts and introduced additional deficit cutting measures. But while unions complained that the "savage cutbacks represent an attack ... on the poor", Haughey included left-wing measures which ensured it was passed. These included his securing of Independent Dublin TD Tony Gregory's vote by agreeing with him a radical social plan for the inner city, brokered by ITGWU general secretary Michael Mullen, and ensuring the abstention of the three Workers Party TDs by ring-fencing welfare benefits. He also maintained the basis for a return to tripartitism by re-activating initiatives under the 1980 Understanding, paying the first phase of FitzGerald's public service agreement and intervening directly to settle various festering industrial disputes. Unlike for FitzGerald, none of these measures represented an ideological compromise for Haughey.¹³

What is notable in retrospect about this short-lived 8-month government is how much its core approach to socio-economic policy and attempts to organise these politically would be replicated in 1987. He revived key elements of the National Understanding approach abandoned by FitzGerald but by late summer 1982 remodelled it into a new paradigm pre-figuring the 1987 departure. He revived other innovations of his 1980-81 government, in the arts, third-level technical education, Northern and foreign policy, semi-state commercialisation and urban regeneration. In industrial policy he revived his formula of a capital investment/welfare expansion/growth rather than "full employment" model, restored the NESC to a central strategic role, re-asserted the primacy of monetary policy, and centralised policy management in a tight team coordinated in his Department. Finally he pursued a social partnership strategy first with the unions and then other forces, notably the CII. Why was this strategy, almost identical to the paradigm shift he engineered in 1987, not successful in 1982?

¹³ "savage cutbacks", 'Annual Conference, LGPSU H&W Division', 13/05/82, ILHS: LGPSU-1; on Gregory, Gilligan 2011, with text of 'Agreement reached by Charlie Haughey TD and Tony Gregory TD', 196-223, and on WP, Hanley and Millar 2009; "stoke", Joyce and Murtagh 1983; revives "Understanding" initiatives, ICTU AR, 1983 and Mansergh ed. 1986: 617; implements pay deal, LGPSU, 'Report on Agenda for LG&PB Div. Exec.', 16/04/82 and D/Env. circular E14/82; on settling disputes, Ger Connolly TD, 'Address to ... annual conference' LG&PB Div., 13/05/82 and 'Annual Conf., LGPSU H&W Division', 13/05/82, ILHS: LGPSU-1

Having attacked FitzGerald for “abandoning” the National Understanding, Haughey announced his intention to develop a “comprehensive plan” in consultation with unions, employers and “economic and social research institutions”, i.e. both the NESC and ESRI. Despite Congress scepticism arising from its bruising experiences with the unravelling of the National Understanding in 1981, ITGWU leader John Carroll again liaised with Haughey and his union’s Executive welcomed his proposals. It called for the suggested talks to begin immediately between the “social partners” on a “national economic and social plan” to “maximize the country’s resources”, accepted the role of pay restraint in “securing economic recovery” and proposed a state-sector-driven industrial policy and “major extension of the principle of industrial democracy” as the way to achieve it. Haughey met both employers and unions, pressing on both his wish on the expiry of the pay round in December 1982 to conclude a national agreement covering pay and tax as well as “appropriate [tripartite] structures for long term economic and social planning”. As he later told the Dáil:

“There are those who think economic policies can be pursued on the basis of confrontation with the trade union movement. We do not subscribe to that ... We also maintain full consultation with employer organisations, again on the fundamental principle that in a small community such as ours the confrontation policies which the Opposition seem to favour will only bring dissension and division. Our economic plan will provide a basis for uniting all economic effort and interests in a concerted programme, to build up a more competitive and better structured economy”.¹⁴

Again prefiguring events of five years later, Haughey simultaneously convened an inner cabinet group headed by Finance Minister Ray MacSharry, which he tasked with producing within three months a 4-year “economic and social plan” to form the basis for a programme to be agreed with employers, unions, farmers and “economic and social research bodies” to transform the economy fundamentally and grow it out of recession. This, he told the Dáil, would firstly

¹⁴ “abandoning” Haughey, ‘Budget speech January 1982’ (not delivered), in Mansergh ed. 1986: 589; also ‘Cabinet failed on pay talks, says Haughey’, *Irish Times* 13.11.81; “comprehensive plan”, Haughey, ‘Speech to the Economic Club, New York’, 15/03/83, in Mansergh ed. 1986: 604 and ‘Plan to right economy pledged’, *Irish Times* 16.03.82; ITGWU response, ‘Union wants to meet Haughey’, *Irish Times* 25.03.82; Haughey proposal, ICTU EC mtg. 21.04.82; “there are those who think”, Dáil 01/07/82

identify the “measures and sacrifices” needed to tackle the immediate deficit problem and then drive an industrial take-off. The Enterprise Agency, IDA schemes and other initiatives of the National Understanding would be revived and state industries, if operated efficiently, would have an enhanced role. Following an initial period of radical financial adjustment, an agreement would be sought with the “social partners” on the detail of the longer-term plan.¹⁵

Planning by the MacSharry group, coordinated by Ó hUiginn through the Department of the Taoiseach in close liaison with Haughey, involved a tight circle of ministers, civil servants, agency leaders (notably Pádraic White of the IDA) and economists (notably Kieran Kennedy of the ESRI). In what would prove a political mistake, however, it was not coordinated with a simultaneous process with the social partners at NESC. Tensions arose in April when a mooted PRSI increase led ICTU to threaten renewed tax protests, but this was reversed as a critical Dublin by-election loomed. On 31 July, within Haughey’s deadline, MacSharry announced his financial plan to “progressively” but “prudently” reduce the deficit through spending cuts while protecting lower incomes and avoiding tax rises. Industrial policy initiatives being developed by Ó hUiginn’s group would follow, with the joint monetary/industrial/social strategy forming the basis for a programme with the social partners before the end of the year.¹⁶

The as yet speculative industrial strategy and partnership agreement were not enough to deflect union shock at MacSharry’s 31 July statement, which not only drastically cut all department budgets and extended the public recruitment embargo, but deferred for 18 months, into 1983, payment of both public service special awards and, even more critically, of the final 5 per cent phase of the current public service pay deal. Haughey suggested that MacSharry’s pay deferral form a starting point for wider talks with ICTU. But he had no intention of rescinding it, and at the same time instructed the measure also to be enforced in the array of contracted non-state agencies delivering health services. ICTU denounced MacSharry’s plan as an “arbitrary breach of a freely negotiated agreement”, warning government to “desist from the course of confrontation and

¹⁵ Haughey in Dáil 02/05/82

¹⁶ Planning, MacSharry and White 2000: 53-5; not consult, ‘The Way Forward to What?’ *Liberty*, Nov. 1982

conflict” which would “end any possibility of a constructive dialogue on economic policy”.¹⁷

Haughey responded by meeting the ICTU on 17 August and proposing that while the pay deferral had to stand, it could be incorporated into a wider pay/policy agreement that included elements offsetting it such as compensatory tax reductions and other measures. In September he further eased tensions by re-appointing the Arbitration Board suspended by the coalition, which health unions were soon reporting was fairly adjudicating special claims, even if their eventual payment was deferred. But the public pay crisis dominated ICTU’s agenda, one union noting “all else in the period [was] overshadowed by the shock announcement”. ICTU threats of protests and strikes receded as Haughey again offered to encompass the deferral of the payment phase within a wider 18-month public pay agreement that could encompass compensatory elements.¹⁸

In fact Haughey already realised his mistake in not accompanying the MacSharry financial adjustment plan with a social partnership process and in deferring the latter until after the former was achieved. After an EC Council summit in Brussels in June he had had a “chat”, which he “vividly” recalled twenty years later, with his main EC ally, Helmut Schmidt, whom he admired as the quintessential European social democratic leader. He met him again two weeks later in Bonn, discussing economic policy and industrial relations at both meetings. When he casually asked Schmidt what he planned to do after the council, the German leader replied that “this weekend is the most important one in my annual calendar - I meet with the employers and the trade unions to hammer out an agreement on the rates of pay and salaries appropriate for the coming year in the light of the economic situation anticipated”. Haughey related how he was “immediately struck with this common-sense approach” and how “I began, in my mind, as I listened to Chancellor Schmidt, to develop and expand the concept [of social partnership].” This statement, just two years before his death, in a paper he co-drafted with Ó hUiginn, might be misconstrued as

¹⁷ Budget plan and Haughey proposal, ‘Government statement: Public Expenditure Policy’, 30/07/82, GIS; instruction on health bodies, LGPSU ‘Report on Agenda for Exec. Board mtg.’ 06/08/82 encl. Albert Reynolds TD, circular, “to all Departments”, 30/07/82; Congress reaction ICTU AR 1983: 146-7

¹⁸ Haughey meets ICTU, ICTU AR 1983: 148-51; re-appoints Arb. Brd., ‘Staff Panel [Health Service]’ mtg. 07/09/82, ILHS: LGPSU-1; “all else in the period”, LGPSU, ‘Report on Agenda for H&W Exec. Cttee.’ 27/09/82; Haughey offer, ICTU AR 1983: 148-51

Haughey adopting a partnership strategy after these “chats”, but that was not the case. What Haughey took from Schmidt was the need to integrate his monetary/industrial strategy from the start in a partnership process, securing buy-in to its essential outline. It was a mistake he would not repeat in 1987.¹⁹

Once the deficit strategy was announced, the Ó hUiginn-coordinated group finalised its industrial and economic plans. The claim that this was an internal civil service initiative in which Haughey played little part is not sustainable. Not only did Haughey form the group and personally appoint its members, but Kieran Kennedy, recalling Haughey’s regular inputs to it, was later reported as saying he had “never encountered a person with such an incisive mind and intellect as Haughey”, who as Taoiseach, “unlike some others, ... listened to his suggestions”. Ó hUiginn, while naturally stressing his own role, similarly admits discussing the plan with Haughey “virtually on a daily basis” as it developed.²⁰

The final plan, *The Way Forward*, published in October 1982, was not solely the product of the tight group that compiled it, as it in turn built on key strategies produced by the tripartite NESC after it had been upgraded by Haughey in 1980 from a subordinate policy function to a strategic role. These reports included a pro-integration EEC strategy, a sector-focused industrial strategy and a report - by the US consultancy, Telesis, also commissioned by the NESC - advising a radical reconfiguring of FDI and preferential state supports for promising indigenous exporting companies. These reports had developed in parallel with *The Way Forward*, involving many of the same personnel.²¹

The Way Forward proposed both eliminating the national deficit in five years and simultaneously driving an economic transformation through “productive investment” in export sectors and aggressively increasing foreign inward investment, though shifting from Whitaker’s now collapsing laissez faire FDI model to a targeting of selected high value-added hi-tech sectors complementing indigenous development. In addition, as advised by Telesis,

¹⁹ “greatly admired”, Interview with Martin Mansergh and Hastings et al. 2007: 33; “chat” Haughey 2013 and background material in NAI/Taoiseach/2012/90/926, ‘Brief: Taoiseach’s meeting with Chancellor Schmidt, Bonn, 13 July 1982’; “co-drafted”, interview with Ó hUiginn

²⁰ “often touted”, e.g. Roche 2009, Regan 2012; Kennedy quoted in Charles Lysaght, ‘Where are they now?’, *Sunday Independent* 17/09/06, similarly interview with Pádraig White; “daily basis”, int. Ó hUiginn

²¹ *Way Forward*, Fianna Fáil 1982; on its development, MacSharry and White 2000; NESC plans NESC 1981a and b, and 1982a and b

promising indigenous firms were to be selected for state assistance to grow to a globally competitive scale. New industries should be created, in ICT, marine technology and other areas, and access to technical education radically expanded. The economic turn-around should be accompanied by a new National Understanding agreeing the stages of industrial transformation, ring-fencing welfare and delivering industrial peace by offsetting pay moderation with tax cuts boosting real pay at low net cost to industry. Accepting this shift in profit distribution, though subsidised by worker-friendly fiscal reform, was regarded as the major contribution social partnership could provide. The recession was to be “out-grown” while stability was assured and confrontation avoided. Revenues would expand through corporation taxes and a broadened tax base. When accused of a policy *volte-face*, Haughey cryptically told *The Irish Times*: “I don’t intend to be a prisoner of my past, and you should not be either”.²²

Haughey, as he later recalled, now approached unions and employers formally and informally with *The Way Forward* “to see if their agreement with the Plan could be obtained”. But despite “exchanges of views” an agreement “did not prove possible”. He told the ICTU the plan was as significant a departure as Lemass’s *Programmes* and had been welcomed by employers, farmers and the EC Commission and suggested a “social partnership” that excluded statutory wage controls “at this stage” and based on a “new permanent structure for economic and social planning”. But ICTU equivocated, still reeling from the public pay “shock” and reluctant following its 1981 experience to yet again enter a wider deal with a government whose stability was becoming increasingly precarious.²³

Until August 1982, the Haughey government had appeared determined, stable and united, with an impressed media largely supportive. But a series of bizarre mishaps from late summer, eagerly seized upon by sensation-hungry journalists, notably, despite its Haughey-friendly editor, in *The Irish Times*, undermined him, reviving an internal party opposition intent on displacing him. Haughey believed that successful government power depended on a united cabinet committed to delivering specific goals rather than party or backbench support, which would

²² Fianna Fáil 1982; “laissez faire FDI”, O’Riordan 2019, Pt. 7 ‘Beyond our Ken!’, “profit share”, Kennedy, K. 2001; “prisoner”, *Irish Times* 22.10.82

²³ “see if their agreement”, Haughey 2013; proposals to ICTU, ICTU AR 1983: 148-51;

follow when these existed. But this unity was now collapsing. Nevertheless, despite his waning authority, diminishing his plausibility as a negotiating partner for social interest leaders, “intense negotiations” with ICTU produced a public pay agreement in October, with Haughey agreeing to phasing in increases rather than outright deferral, and conceding on other issues such as top-up productivity bargaining in state enterprises.²⁴

Agreement on public service pay was a prerequisite for a broader partnership agreement, but, to demonstrate its distance from government, the ICTU public services committee that negotiated it put it to membership ballot without recommending acceptance or rejection. In the Dáil Haughey pleaded with public service union members, traditionally Fianna Fáil voters, to accept it as “the limit of what the Exchequer can bear”, adding that he hoped bargaining in the private sector would follow based on “unit wage-cost competitive gain”.²⁵

Unions distancing themselves from Haughey as his authority collapsed included even the ITGWU, which now castigated the *Way Forward* as “the greatest expression of blind faith in unbridled capitalism issued by any Irish Government for two decades” and an “exercise in ‘Reaganomics’” as if designed to make an agreement impossible. ICTU had not in fact set its face against a new National Understanding, but its Executive was deeply divided and still arguing its position when the government fell on 28 October as Gregory and the Workers Party, opposing MacSharry’s cuts, supported a motion of no-confidence.²⁶

In the event, the public pay deal was accepted by union members balloting in November during the election campaign. Following much wrangling reflecting deep internal divisions over a return to an Understanding strategy, the ICTU Executive narrowly agreed a 10-point policy statement entitled ‘The Real Way Forward’, which advocated a partnership agreement that accepted monetary retrenchment and debt reduction if combined with an expansionist industrial

²⁴ “sensation-hungry”, Joyce and Murtagh 1983, and contemporary columns in *The Irish Times* by Haughey’s old adversary, Conor Cruise O’Brien; on Gageby and Haughey, Whittaker 2006 and Brady 2005; Haughey views on power, interview Haughey 2005; “intense negotiations”, LGPSU, ‘Report on Agenda for LG&SB Exec. Cttee.’ 13/10/82; ‘Draft Proposals for amending the Agreement on Public Sector Pay between the Minister for the Public Services and the Public Services Committee of the ICTU’, in LGPSU, ‘Report on Agenda for LGPSU Exec. Board.’ 22/09/82

²⁵ “later recalled”, Haughey 2013; “social partnership”, *Irish Times* 22.10.82; “limit of what exchequer”, Haughey, Dáil 27/10/82; “unit gain”, Dáil 22/10/82

²⁶ ITGWU position, ‘The Way Forward to What?’, *Liberty*, Nov. 1982; “arguing”, ICTU EC mtgs. Oct.-Dec. 1982; fall of govt., Mansergh ed. 1986: 706

policy based on NESC policies, pay moderation offset by tax reform, and union participation in “all facets of economic and social planning”. Its red line was that real wage and welfare values be maintained. The Plan appeared before a new government was formed, and Haughey responded eagerly to each of its points, claiming their compatibility with his own concepts and even intimating his willingness to form a coalition with Labour as a basis for realising them.²⁷

The *Way Forward* and Haughey’s proposed social partnership framework had some parallels in post-Keynesian recovery strategies being pursued by other left-of-centre governments with which Haughey was aligned, notably Schmidt’s in Germany and Mitterand’s in France. Many social democratic governments lost power in Europe in this period, being replaced by right-of-centre alternatives committed to austerity and monetary adjustment or, as in Mitterand’s case, surviving by abandoning what has been termed his experiment in “Keynesianism in one country” and partly adapting such a course. But the *Way Forward* was also different from these in also being a long-term plan to address deeper structural problems of Irish economic underdevelopment and “late industrialisation”.²⁸

At EC Council level, differing approaches to monetary adjustment led to increasing disunity. In March 1982 a majority on the Council had still favoured a consensus approach and “convergence” of national policies along such lines, recommending that member states tackle the “major structural crisis ... affecting every country” by reducing inflation and controlling production costs, but simultaneously increasing “productive investment” in the public and private sectors, in “industries of the future” and in youth training and employment. But this EEC council consensus had collapsed, giving way to several years of policy disunity and Community inaction, often termed the period of “Eurosclerosis”.²⁹

Despite such exogenous factors and the policy disunity at EC level, Haughey’s 1982 government policies and the fate of its “social partnership” initiative were primarily determined by domestic factors. In many ways his 1982 corporatist formula, developed from his first National Understanding of 1980-81, as well as

²⁷ Pay deal accepted, LGPSU Exec. Board mtg. 07/10/82; *Reporter* (LPGSU) Dec. 1982; “wrangling”, ICTU EC mtgs. Oct.-Dec. 1982; ‘The Real Way Forward’, ICTU AR 1983; Haughey response, ‘Speech to Dublin North-Central Comhairle Dáilcheantair’, 09/12/82; on Labour, Mansergh in Mansergh ed. 1986: 716-8

²⁸ “parallels in other countries”, *Irish Times* 22.10.82; “Keynesianism in one country”, Dølvik 1999; “late industrialisation”, Hardiman 1988

²⁹ European Council 1982 (March) and 1982 (June); ‘Eurosclerosis’, Meenan, 1999

the political process to realise it, would be repeated in 1987, but with the critical factors of early partner engagement and convincing cabinet authority resolved.

Policy consensus, ideology and party conflict in the 1980s

Ireland's political turmoil in 1980-82 was multi-faceted, but at its core was disarray over economic policy, common to most countries as vying formulae for a post-Keynesian order caused political turbulence and division across the OECD, paralysing even the EC Council. By 1982 a consensus consolidated in Irish policy circles on a need to combine monetarist adjustment with a stimulus industrial strategy to overcome structural underdevelopment. What was disputed was the combination and framework in which these should occur.³⁰

NESC reports commissioned under the Haughey government of 1980 and completed in 1982, as well as Fianna Fáil's own *Way Forward*, set out aspects of this dual strategy. While how to resolve the monetary challenge was taken as given – by reducing both inflation and government consumption – the major policy challenge of how to overcome industry's failing to adapt to free trade and revive on a development path remained contended. Companies that had prospered under protection were often subsidiaries of foreign firms engaged in basic assembly and exploiting remaining protections, but these were now closing as those benefits ended. Indigenous firms had neither the scale, skills nor capacity to exploit free trade competitively and became the primary victims of it. Foreign investment had been a major driver, but the FDI sector stalled as firms withdrew, its legacy of unreliability and high-cost per job much criticised. A view emerged at policy level advocating supports be redirected to indigenous firms with the potential to become internationally competitive players.³¹

The IDA opposed this policy turn, Pádraic White vigorously defending FDI while advocating it be re-focused towards selected higher quality-added sectors in place of the hitherto *laissez faire* approach, though also “picking winners” among indigenous firms and “scaling them up” to higher value-added trading. A primary weakness in the indigenous economy he identified was the dearth of investment capital – an issue that had dogged the Irish state since the 1920s –

³⁰ Emerging consensus, O’Gorman and Carroll 1987

³¹ NESC reports 1982a, 1982b; Kennedy, K. 1984; “dual strategy” Lee 1989: 504

with traditional finance wedded to unproductive “rent seeking”, especially in the London bond markets, and an aversion to productive investment at home. In its absence, an activist state would again have to drive productive development. The NESC additionally identified reforming archaic institutions and how best to exploit the educational expansion of the late 1960s as further priorities.³²

A concept that rapidly gained traction in policy circles, early identified by a rising economist, Colm McCarthy, was a need for an institutional transformation to emulate more successful “small open European economies”. A new theme in the international economic literature identified how states, by “concerting” government, agencies and business in a “consensus” strategy, had successfully pursued niche foreign market advantage. But the Irish case was “exceptional” not only in its underdeveloped institutions, but also in what Niamh Hardiman called the challenge of a “late industrialising” country undergoing “a structural shift in economic composition of quite major proportions”. Agriculture, Ireland’s main economic resource until the 1960s, had, despite the CAP boom, failed to expand significantly in the absence of a strong food industry. On the other hand, new manufacturing and services firms were emerging in place of collapsing 1960s industries in a process of “creative destruction” at high social cost.³³

The consensus on a “small open economy” development formula was reflected in the quite similar economic agendas proposed in competing party manifestos. The goals were not contested, only how the transformation might be achieved. Opinions differed on the prioritising of financial adjustment or developmental innovation, how they could be combined and the form this should take.

A strident “New Right” economics, though not yet universally ascendant, and epitomised by the new Thatcher and Reagan governments in the UK and US, aggressively promoted a new capitalist growth paradigm of controlling inflation through monetarist discipline, “unshackling” business from the state, restoring share-holder hegemony, curbing union power and “restrictive practices”, and abolishing capital controls. Even the OECD, hitherto a guardian of Keynesian orthodoxy, began to challenge the primary employment creation role of the state, and across Europe new governments were elected advocating varying degrees of

³² White, P. 1983; NESC 1982b

³³ McCarthy, Colm 1979; NESC 1982a, 1982b; “literature” Katzenstein 1985; Hardiman 1988: 4-8; agriculture and FDI, Whelan, C. et al, 2007

the paradigm. A new right/left divide emerged over how to respond to the monetary crisis, whether through greater capital autonomy and liberalisation or a consensus restructuring. The policy paralysis at EC level reflected this schism.³⁴

While electoral democracies involve much rhetorical polarisation masking underlying policy agreement, the paradigm shift in international economic thinking revived “conservative” policy impulses in Fine Gael while weakening the Keynesian ones in Fianna Fáil. Social democratic tendencies were strong in all parties, but Labour, which claimed to embody them, dissipated its social democratic appeal by an obsessive opposition to Fianna Fáil less on socio-economic grounds than for being a “nationalist”, “corrupt” force to be excluded from power. This Labour view of Fianna Fáil – determined by Labour’s electoral marginality - had been present since the 1920s and been strongly revived by Cruise O’Brien in the late 1960s. It was re-articulated by Frank Cluskey in his eviscerating speech on Haughey’s election as Taoiseach in 1979. It was a moral position that not only bewildered many working class voters but restricted Labour to the sole government option of coalition with Fine Gael. It also shaped Labour’s continued suspicion of tripartitism which, as Larkin had tried to argue, would anywhere else have been the essence of a labour movement programme.³⁵

The party divide of the 1980s thus remained that between varieties of social democracy, with Fianna Fáil, Fine Gael and Labour differentiated not least by their conflicting approaches to corporatist planning and development strategy.

Autonomous government: economic crisis and policy choice

The coalition of 1982-87 had little opportunity to pursue development strategies as proposed by the NESC or other bodies, as it faced a deepening economic crisis, one of the worst in the state’s history and as destructive as that of the mid-1950s in its social effects. Although primarily a subset of another global crisis, it impacted in Ireland on an economy already struggling with the challenges of “late” industrialisation as its 1960s industrial model re-structured autonomously and drastically to free trade conditions. Employment fell nearly 7% from 873,000 to 816,000 between 1982 and 1986 while, with the population

³⁴ “New Right”, Graham and Clarke 1986; on OECD, McCracken 1977; “paralysis”, Meenan, 1999

³⁵ Cruise O’Brien see Chap. 2; Cluskey in Dáil 11/12/79, also McGinley ed.: 224-231

growing, unemployment doubled to an unprecedented 250,000 or 18 per cent of the workforce, topping the OECD league, and would have risen further but for the return of high emigration. The decline was starkest in manufacturing, with employment falling 20 per cent to 204,000. Government responded primarily with deflationary measures to maintain competitiveness, cutting spending, raising taxes and containing welfare, while seeking to minimise cuts to services. While successfully reducing inflation to 5 per cent by 1986, social expenditure increased due to rising unemployment, reaching 75 per cent of GNP, and the national debt trebled to 148 per cent. The inflation “success” was not combined with productive investment or expansion, and hence contributed to deflating economic activity. Investment fell, by a catastrophic 37 per cent in 1984 alone, and FDI contracted for the first time since the 1950s. A poverty crisis emerged, concentrated in urban areas of previously robust industrial employment, with a growing welfare-dependent population suffering severe social decline and persistent poverty. For those in work living standards also fell, with rising taxes reversing earlier improvements, after-tax real wages falling 15 per cent and wage costs to employers rising 10 per cent. Housing policy encouraged occupants with means to vacate public housing, exacerbating poverty ghettoization and crime, and generating a drugs crisis never before experienced, as Fianna Fáil highlighted in opposition.³⁶

Focused on monetary policy, government saw few opportunities to undertake industrial expansion. In October 1984 it finally published its growth strategy, *Building on Reality*, but its development policies, based on supporting SMEs, relied on deflation reducing interest rates to generate growth, and economic historians judge it as having simply further depressed activity and demoralised entrepreneurs. Within eighteen months, economic performance lagged far behind the plan’s projections, with 73,000 fewer at work, emigration four times the projected level, and unemployment 40,000 above the plan’s “stabilised” level. FitzGerald, regretting not having implemented his stimulus measures earlier, later claimed that by the time he left office the plan had not had time to produce results, pointing out that by 1986 not only had inflation fallen, but output,

³⁶ Figures in Hardiman 1988: 222-8; FDI collapse, IDA Ireland 1986; fall in wage value, OECD 1985: 38; housing policy/drugs crisis, Gilligan 2011, Mick Raferty in Int. Inner City Group; “highlighted”, Haughey, ‘The Crimes Crisis. Presidential Address to Ard Fheis’, 30/03/85, in Mansergh ed. 1986: 932-4

exports and foreign investment were recovering. This is certainly true, as lower inflation assisted the process of “creative destruction” and revived some output and productivity growth, which increased 30 per cent by 1986 despite falling employment. But *Building on Reality* lacked an overall industrial strategy, and deflation-driven choices alienated wide social groups.³⁷

The FitzGerald government’s adherence to deflation was reflected in its EEC orientation. Apart from continuing the traditional CAP-defensive policy and initiating some imaginative uses of EC Social Funds for training, community and youth schemes, it aligned with the centre-right in the EC Council policy divide. In 1984 FitzGerald appointed as Ireland’s Commissioner the attorney general, Peter Sutherland, who epitomised the private-educated Fine Gael patrician with a strong free market outlook. At his request Fitzgerald secured for him the competition rather than agriculture or social policy portfolio. Although the European Christian-democratic mainstream was not averse to tripartitism and in many cases had initiated it, such governments were now retreating from it. Sutherland became central in the Single Market project and while impressed with President Delors’ leadership, saw him as “not a natural deregulator” and was hostile to his state-*dirigiste* tendencies and attempts to “impose” social constraints on the emerging single market construct.³⁸

In domestic socio-economic policy, FitzGerald, while struggling to expand social provision, continued his 1981 anti-corporatist direction on planning and pay. He believed circumstances allowed no other option and, despite his social democratic inclinations, opted for a traditional Fine Gael deflationary approach. In November 1982 the party had won its hitherto greatest number of seats, though considerably behind Fianna Fáil, while its coalition partner, Labour, had been weakened and had to accept a very subordinate role in cabinet. The 1981 coalition had initially sought to continue the National Understanding but had done so in such a way as to end it, and the renewed coalition, reflecting a trend among right-of-centre governments elsewhere, simply dispensed with it. But, unlike Thatcher, FitzGerald, in William Roche’s judgement, was not disposed to

³⁷ “depressed activity” and historians’ views, Bielenberg and Ryan 2012: 32-3; projections/performance, J. Travers, D/Taois., ‘Possible supplementary’ PQ by Michael Keating’, DTA: DTA: S25858-A; government choices, FitzGerald 1991

³⁸ Appointment of Sutherland, FitzGerald 1991: 615; on his career, Fintan O’Toole, ‘Trump and Brexit are products of Sutherland’s success’, IT 09/01/18; on Delors, Sutherland 1999: 289-90

“breaking unions” and was not adverse to consulting with them. He had long been sceptical of policy “consensus”, had been critical of Lemass’s “vocational-bureaucratic system of government”, and was generally “unwilling to regard collective actors, and especially trade unions, as more than ‘lobbying interests’”. Other senior ministers, notably John Bruton, were more stridently hostile to tripartitism. The coalition resumed its 1981-2 strategy though, on Labour insistence, also continued funding union and management bodies and established a National Development Corporation (NDC) to develop industrial strategy. It also maintained a few initiatives inherited from the Understandings, such as public service “worker participation” projects and bodies like the Sectoral Development Committee, though treating its reports as ephemeral.³⁹

The NDC when it emerged in 1983, far from the “planning agency” promised, was a purely “advisory” body with limited resources, composed of civil servants and economic experts, along with a few business and union officials selected by the Taoiseach rather than representatives nominated by those interests. FitzGerald saw the NDC replacing the tripartite NESC in the role the latter had acquired under Haughey. This followed advice from Whitaker and Loudon Ryan, replicating their preference for a civil service-led, purely advisory forum.⁴⁰

FitzGerald intimated to ICTU his willingness to consider what he bundled as a “National Understanding/Wage Agreement”, though strictly separated from budget and economic policy, a formula which negated the very idea of an Understanding. Public service unions found themselves “awaiting the outcome of these discussions, including the possibility of centralised negotiations” on a new Understanding, before deciding on their strategy. The March 1983 budget clearly revealed government’s determination on a deflationary course. Government also announced its preference for a stand-alone public pay agreement, consisting of a six-month pay freeze and single figure increase thereafter, followed by “free” bargaining in private industry. The FUE responded approvingly, suggesting a similar “guideline” on pay terms for the private sector, while a resigned ICTU instructed unions in both sectors to get on with individual claims for a

³⁹ “sceptical of consensus”, see Chapter 2; “vocational-bureaucratic”, Bew and Patterson 1982: 66; “unwilling”, Bacarro and Simoni 2007: 9; Bruton in Roche 2009: 196; on NDC, FitzGerald 1991; on worker participation initiatives, LGPSU, ‘Report on Agenda for Exec. Board mtg.’ 11/01/85

⁴⁰ Chambers 2014: 227, 240-1; on Whitaker’s preferences see also Chapter 3

“substantial general increase” to counter both inflation and the reduction of real wage values by tax increases. The looming threat of fragmented bargaining and widespread industrial conflict, especially in the public sector, forced government to negotiate a public agreement different to its stated preference, concluding it in late 1983 on terms very similar to what Haughey had proposed to ICTU in autumn 1982, while the private sector reverted to local bargaining.⁴¹

With de-industrialisation and high unemployment, private sector unions had little leverage and wages stagnated or contracted. Disputes were predominantly in the public sector, becoming endemic, with strike-days rising again to 412,000 by 1985. Recruitment embargoes and service cuts in health, local government and education led to work-to-rules, boycotting of vacant posts, demonstrations and threatened strikes. LGPSU’s central council repeatedly rejected government’s proposed pay terms, though when civil service unions voting for them formed a majority on ICTU’s PSC, its branches grudgingly acceded. A one-day general public service strike in October 1985 followed a government refusal – the first since 1935 – to implement Conciliation Board and Labour Court awards, and further longer stoppages planned for 1986 were only averted by a last-minute compromise. In September 1986 government refused to re-appoint the arbitrator, froze public pay and extended the recruitment embargo. A teachers’ strike further undermined public dispute resolution systems and at the end of 1986 LGPSU decided to “black all public representatives” and refuse to implement rent and housing schemes, and strikes over local disputes multiplied. Government relations with the public services had collapsed by January 1987.⁴²

In 1983 FitzGerald set out his plans for the NPB plan to a sceptical ICTU. He envisaged the NPB submitting proposals to his “Task Force of Ministers” on how to “maximise output and employment in competitive conditions”, a “public works” scheme for the unemployed, and welfare reforms “to reconcile social

⁴¹ FitzGerald “willingness”, ICTU AR 1983: 142; public service unions await outcome, LGPSU, ‘Report on Agenda for Exec. Board mtg.’ 04/03/83; ICTU and FUE post-budget decisions, LGPSU, ‘Report on Agenda’ and ‘Exec. Board mtg.’ 04/03/83 and ICTU EC, ‘Statement by Executive Council on Pay’, 16/03/83, in ICTU AR 1983; public pay agreement and private sector, ICTU AR 1984: 139-43

⁴² Public service resistance, LGPSU, ‘Report on Agenda for Exec. Board. Special Mtg.’ 28/01/83, ‘Report on Agenda for H&W Div. Exec. Cttee.’ 29/07/84 and ‘Report on Agenda for LGPSU Exec. Board’ 12/02/85; branches accede, LGPSU H&W Div. Exec. mtg. 16/12/83, LGPSU Exec. Board mtgs. 09/12/83 and 18/07/86; one-day strike, ‘Report on Agenda for Exec. Board mtg. 06/09/85 encl. ‘Government Statement on Pay’; further strikes planned, teachers’ strike, Exec. Board mtgs. Sept. 1985-Jan. 1986; “black all representatives”, LGPSU Exec. Board mtgs., Oct. and Nov. 1986

equity and the efficient use of public resources". NPB inputs would form only a peripheral element of the plan, *Building on Reality*, notably reforms in public service delivery, income tax changes, DIRT, the Farm Advisory Service and road investment, but its proposed public works programme was rejected as "not very realistic". FitzGerald later conceded the NPB had proven ineffective, failing to impact on "the permanent administrative structure for decision making" or make "as enduring a mark on public administration as I would have liked".⁴³

Having established the NPB, FitzGerald reframed the purpose of the NESC. The Council was due for re-appointment in 1984 and he used the opportunity to dilute its functions and reduce it from 47 to 23 members, five each for employers, unions and farmers, along with seven Government-appointed economists, politicians and other figures. The Department of the Taoiseach continued to chair it, but would no longer provide expertise, research or secretarial supports, which transferred to the NPB. The new task of the NESC was described as providing reports as requested by ministers. Thus emasculated, NESC was busied until 1986 with projects on secondary issues such as the criminal justice system, local authority finance and profit sharing. *Building on Reality* was compiled without NESC input and, unsurprisingly, the council hardly features at all in FitzGerald's memoirs. ICTU protested this down-grading of the tripartite NESC and its subordination to the NPB. When it was being re-constituted, it requested that civil service representatives be at least secretary grade, objected to the inclusion of new groups and pleaded to be restored to a strategic role, but was ignored on all counts. Resigned to the down-grading of the NESC, Congress nominated second-tier representatives onto it.⁴⁴

When *Building on Reality* appeared, ICTU criticised its diffuse content and lack of consultation with the NESC in its preparation, and the LGPSU produced a hostile critique of it, *Stark Reality*. Amongst other initiatives, the plan established the Social Employment Scheme (SES) to provide part-time roles for unemployed people in community organisations, schools and public services. ICTU objected to this as "a gimmick" and to it being used to do the work of public jobs unfilled due

⁴³ Plans for NPB, ICTU AR 1983: 186; FitzGerald aims for NPB, FitzGerald 1991: 449, role in *Building on Reality* and "not realistic", Ibid.: 450-1

⁴⁴ Govt. announcement re NESC, 'Press Statement', 20/07/1984, GIS; "busied", ICTU AR 1985: 219; FitzGerald 1991; ICTU appointees to NESC, ICTU EC mtgs. 20/06 and 19/09/84

to the embargo, but internally, fearing the “public perception of an attempt to take it head-on”, moderated its stance, insisting only that it not be used to replace “real jobs” and demanding a tripartite monitoring committee to oversee it. While government conceded this, it was yet another occasion where prior consultation might have avoided ill-will and a rancorous dispute.⁴⁵

The secondary ministerial projects entrusted to NESC were often politically divisive ones. John Bruton requested a study of employee shareholdings to promote “cooperation in the workplace”, which neither employers nor unions on the NESC favoured, if for opposite reasons. Employers opposed worker encroachments on managerial or shareholder power while the report’s consultant bemoaned his difficulty “engaging the unions” due to ICTU antipathy to “employee shareholding” as a “New Right” strategy for de-unionisation. A report on local government financing through “consumer” service charges was equally divisive, being naturally supported by business but viewed with hostility by unions, who opposed them in the absence of tax reform or income off-sets. LGPSU staff “boycotted” service charge schemes, the union threatening to expel members who cooperated in them. Both projects lingered on the NESC agenda until finally being shelved under the new 1987 government. Other projects fared little better, rejected by ICTU or the reports published noting their dissent.⁴⁶

Abandoning pay/policy tripartitism and allowing its institutions erode was essentially ideological, with government determined to restore its “autonomy”, but to little obvious benefit. It soured relations with public servants, undermined staff cooperation and incited widespread disruption, while squandering planning assets such as the NESC. An ITGWU leader criticised government for abandoning “emerging arrangements” for cooperative planning and conflict resolution. It “put nothing in planning terms in their place”, facing “the worst employment crisis in the history of the state without any sense of direction”.⁴⁷

⁴⁵ ICTU on *Building*, ICTU EC mtg. 17.10.84 and ICTU AR 1985: 181; ‘Stark Reality’, LGPSU 1984 and LGPSU Exec. Board mtg. 06/12/84; “gimmick ... public perception”, ICTU position in LGPSU, ‘Report on Agenda for Exec. Board mtg.’ 08/03/85; ICTU circular, n.d. [1985] “Social Employment Scheme”

⁴⁶ On employee shareholdings, Bruton to Dr Noel Whelan, chair NESC, 29/01/1984, NESC Archive: Box 3b, and NESC, ‘Council Meetings’, 16/10 and 26/11/1986; on local government financing and local charges, LGPSU, ‘AGM of LG&PB Div.’ of 17/05/84 and 18/05/85, and ‘Reports on Agenda for LG&PB Div. Exec.’, 27/05 and 22/07/83, 20/07/84; LGPSU, ‘Report on Agenda for Exec. Board’, 20/7/84; “linger on agenda” and “shelved”, NESC, ‘Council Meeting’ 19/12/86 inc. draft: ‘Employee Shareholding’; “progress little” and ICTU dissent, NESC, ‘Council Meeting’ 01/03/87 and attchd. ‘Workprogramme’

⁴⁷ ICTU ADC 1986: 102

Government could and did comprehensively “walk away” from tripartitism though, ever courteous, FitzGerald regularly met with ICTU. He recalled how the unions had had “an easy time of it with Fianna Fáil” and how his meetings with the ICTU were “formal, often tense, and on the whole unproductive”. John Carroll recalled how FitzGerald “lectured us when we met him; he told us about the economy; we made no progress”, while civil service leader Dan Murphy said that, while not “unsympathetic”, FitzGerald couldn’t see “unions having any particular role” in economic policy. Another ITGWU leader said FitzGerald “had no intention whatever of consulting with us” let alone “engaging in a search for consensus”. “We were told there was no alternative to the Coalition view of reality”. Bill Attley of the FWUI regarded Fine Gael in general and especially FitzGerald as unable to grasp the potential of a national agreement either to mobilise business and unions in a common endeavour or in its social-integratory function: “as an orthodox economist he just couldn’t get his head around it”.⁴⁸

Despite FitzGerald’s social-reformist inclinations, the coalition in effect reverted to the pattern of previous coalitions in deflationary economic policy, interest group disengagement and reliance on business economists for advice.

Unbridgeable divide? – Employers, unions and the state in the ‘80s

When Thatcher came to power in Britain in 1979, one of her central messages was that union power was throttling the economy and the remedy was its disestablishment and the restoration of market forces. Tripartitism in Ireland had arisen in a different context to the rise of union power in Britain. While the disruptive potential of unions was a factor, it was a secondary one, and Lemass and Haughey in pursuing a tripartite paradigm had regarded it as a means to “harness” unions and other interests as creative forces rather than to neutralise them, thereby expanding the social-institutional base of economic development.

Many in other parties, in the civil service and even in Fianna Fáil opposed this Lemass/Haughey perspective. In 1984 Whitaker noted that “no-one twenty years ago would have believed the amazing strength which trade unions, employers and farmers now possess compared with political parties”. This was

⁴⁸ “walk away”, Murphy and Hogan 2008; “easy time of it”, FitzGerald 1991: 453-4; “lectured us”, ICTU ADC 1986: 226; Murphy in Hastings et al. 2007: 16; “no alternative”, ICTU ADC 1987: 98; Attley in Int. Attley

now being reversed in Britain, he wrote, and FitzGerald should forego tripartite experiments and rely instead on the Department of Finance, economic experts and “independent” economic institutions. FitzGerald followed his advice. Whitaker had been appointed an NESC member by FitzGerald, but resigned from it in February 1982 when the coalition fell and a return of Haughey seemed likely. On his resignation, he wrote that socio-economic policy should never have been transferred to the Taoiseach’s Department and should be returned to “the clear responsibility” of Finance assisted by “planning units in other Departments”.⁴⁹

Unions in Ireland organised half a million workers, 55 per cent of the total. This was not evenly distributed across the economy but concentrated in particular areas, including over 90 per cent in the public service and state enterprises, and, in the private sector, in stronger vocational groups and larger enterprises. As a historical inheritance there were over 70 unions (compared to 12 in Germany), many evolved from pre-industrial era guilds. Over 85 per cent of union members were grouped in a few large general and public service unions and about five craft and sectional ones. While there were militant groups, and a significant socialist sub-culture, most members were passively engaged, with union membership a secondary aspect even of their working lives.⁵⁰

On the employer side, over half, including all the largest and strongest, were also organised, in groups combined in the Irish Confederation of Employers, though many smaller employers stayed aloof from these:

Growth and concentration of union/employer organisations 1970-83⁵¹

Trade Unions (ICTU) (Republic only)					Employer Organisations (ICE)		
Membership	1970		1983		Organisations	1965	1981
	Unions	Members	Unions	Members		Members	Members
> 20,000	2	181,400	3	235,053	Retail, Grocers (RGDATA)	3,000	1,350
10-20,000	3	45,000	3	49,992	Fed. Union Employers (FUE)	1,630	2,563
5-10,000	9	60,600	7	53,522	Construct. Ind. Fed. (CIF)	750	2,166
1,500-5,000	27	75,300	23	62,518	Pharmaceutical Union	1,061	1,402
< 1,500	54	24,500	35	19,966	Motor Industry (SIMI)	945	1,119
					Licensed Vintners	560	676
					Eleven other minor assocs.	1,306	1,193
TOTAL ICTU	95	386,800	78	498,900	TOTAL membership ICE	9,252	10,469

⁴⁹ Whitaker in Hardiman 1988: 205; views on Britain and advice to FitzGerald, in notes for *Radio Senate*, RTÉ Radio, 01/09/93, quoted in Chambers 2014: 241; FitzGerald takes advice, FitzGerald 1991: 449, Chambers 2014: 227, 240-1; NESC resignation, Whitaker to Noel Whelan 10/02/82, NESC Archive. Box 3

⁵⁰ Gunnigle et al. 1999: 111-39

⁵¹ Figures from tables in Hardiman 1988: 131, 163

Unions and the ICTU had been subsidised by the state in their training and advisory functions since the 1950s, and while employer organisations eschewed state funding, many ancillary bodies, such as the Irish Management Institute (IMI), were equally heavily subsidised, as was in-company training. As industrial relations were determined by constitutional and common law, umbrella bodies – the ICTU, FUE, CII etc. – were voluntarist leaderships, with only directive power to the extent conceded by affiliates. While small and loose, for that very reason they had to lead and reproduce their legitimacy through considerably more democratic practices than was common among their European counterparts.⁵²

Employers, farming bodies and business opinion leaders generally supported FitzGerald's deflationary policy as a prerequisite for recovery. But they also jealously defended grants for industry and subsidies to agriculture, while advocating reductions in other public spending, in input costs – including taxes – and in “red tape”. As they were reliant on linkages with the state, they also remained active within cooperative policy bodies such as the NESC.⁵³

After being cajoled by Haughey into the 1981 National Understanding, the FUE, influenced by developments in Britain, adopted a strategy – *Pay Policy for the 1980s* – with the aim of ending centralised bargaining. Influenced by “new right” economics, this also reflected realities in an economy being transformed by industrial change. As conditions between productive and declining industries, individual firms and the public and private sectors radically diverged, it was held to be increasingly counter-competitive to enforce national pay standards or industry-specific pay “norms”. Firms should bargain separately (“locally”), based on competitiveness and productivity gain, trading pay for new technology acceptance and flexibilisation of work practices, and gradually move from group bargaining altogether to individualised “human resources” management.⁵⁴

In the absence of a national framework, this new employer ideology led to a fragmentation of industry agreement patterns and timeframes, with FUE triumphantly declaring in 1986 “the wage round has ceased to exist”. When NESC's 1986 *Strategy for Development* tentatively proposed a national

⁵² On legal frame, McCarthy, C. 1977: 482-523, and voluntarist structures Hardiman 1988: 138-41, 171-4

⁵³ Hardiman 1988: 218

⁵⁴ *Pay Policy*, Fogarty et al 1981; “gradually move”, ‘Six Priorities for 1986: Policy Statement by the National Executive Council’, *FUE Bulletin*, Jan. 1986

agreement framework for a recovery strategy, the FUE, which had resisted this at NESC, reluctantly agreed to participate in exploring such a common strategy but stressed “there was hardly any support” among its members “for a return to national agreements or understandings”. The ICTU believed employers feared that national bargaining would only serve to “breathe life back into the unions”.⁵⁵

Employers *per se* often differed from the more strategically-orientated business group, the CII, which, having developed from the FIM and representing large companies, valued close state-business collaboration. But in the 1981 crisis it converged with FUE thinking, highlighting the “unsustainable level of public expenditure”, sought radical income/business tax cuts and blamed Labour’s influence in government for the “unsustainable” level of social spending. Using a popular monetarist phrase, it accused the coalition of having been “seduced by Big Government”. In 1981 it had urged ending the Understanding and from 1983 unreservedly supported Fine Gael’s advocacy of a deflationary policy.⁵⁶

But the CII also became frustrated with FitzGerald’s government for its ineffectual industrial policies as business activity contracted. As NESC’s Telesis Report showed, the programmes of the 1960s-70s had not produced a dynamic indigenous sector, with virtually no internationally trading performers surviving by 1984. Finance institutions remained risk adverse, wedded to safe investments in British or Irish bonds and hidebound by what the IDA termed unproductive “rent-seeking”. The mass industrial closures of the early 1980s resulted from the unwillingness or inability of the type of industry generated by Whitaker’s free trade formula to adjust to open competition, tending to close once protective advantage was withdrawn. This was exemplified in such high-profile 1980s closures as Ford, Dunlop, Semperit, Talbot, Parsons and many others. As regards indigenous industry, Albert Reynolds, when he became industries minister in 1987, lamented to a CII audience that the very “survival” of the economy depended on building export capacity, but this had yet to materialise as “many

⁵⁵ “ceased to exist”, *FUE Bulletin*, Oct. 1986; FUE response to NESC report, *FUE Bulletin*, Dec. 1986; “breathe life back” – Dan Murphy quoted in Hastings et al 2007: 10

⁵⁶ “seduced”, Power 2009: 38; supports FG, Int. Power; Int. O’Sullivan

senior Irish managers were educated and gained their formative experience in a protected environment where market competition was not a significant factor”.⁵⁷

The retreat to decentralised or even non-bargaining, encouraged by the policy preferences of the FitzGerald coalition, can be seen in retrospect as the exception rather than rule for the post-war period. The dismantling of tripartitism and reversion to local bargaining also weakened business associations such as the FUE and CII. Newer - not only US - firms evaded not only unions but even the support services of employer organisations, taking these “in-house”. Bargaining was the *raison d’être* of employer associations, with FUE having described itself on its foundation as a coordinating group “similar to the Trade Union Council”, while concerted planning was that of the CII. Employers had participated in national “wage rounds” since the 1950s, and management training at IMI and business colleges was still imbued with Catholic sociological views of a “social order” to which orderly relations with trade unions were integral.⁵⁸

Trade unions faced different but not unrelated challenges. While public service cuts and recruitment embargoes led to public sector union membership contracting, in the shrinking private sector, de-industrialisation, falling incomes and rising unemployment precipitated an even greater decline. This followed two decades of growth and increasing worker empowerment. Membership had peaked at 524,000 in 1980 – 56 per cent of the workforce – but fell by 1984 to 501,000, most notably in manufacturing. Amalgamations increased, with smaller unions absorbed by larger ones. The membership decline was numerically small, but a more marked phenomenon was the drop in activity. Despite the reversion to local bargaining, worker militancy and shop steward power fell dramatically as the rebellious wave of the 1960s-70s receded. Cases before the Labour Court declined, with strike-days through unofficial action - 46 per cent of all strikes in 1977 - falling to 12 per cent in 1985 and just 6 per cent in 1986. In a recessionary economy competitive pay militancy lost its *raison d’être* while labour law reform eroded traditional grounds for conflict. Sectional unions like the MPGWU and AGEMOU shrank dramatically and where disputes occurred these were

⁵⁷ CII criticisms, Power 2009: 58-9; economic model in crisis, Telesis, NESC 1982a, 1982b, Kennedy, K. 1984; “rent-seeking”, White 1983; tendency to close, Whelan, C. et al. 2007; Reynolds, ‘Speech ... at the Annual Lunch of the CII’, 13/05/87, GIS: D/I&C

⁵⁸ “in-house”, Hardiman 1988: 167, Roche and Larragy 1987; “newer firms”, Turner et al 2013: 216; “similar to the TUC”, *FUE Bulletin* Aug.-Sept. 1983, quoted in Hardiman 1988: 163; on IMI see chapter 2

increasingly over terms for company survival or redundancies rather than wages or productivity. These factors and a related fall in income led to redundancies among union staffs themselves, not least in the ITGWU. Even the “militant” ATGWU found itself with “staff surplus to requirements, if not totally redundant then underloaded”, as its leader, Matt Merrigan, put it.⁵⁹

Disputes were increasingly in the public service, where unions that still exercised veto power fought recruitment embargoes, the suspension of pay awards and worsening conditions. But the private sector decline and ending of tripartitism caused a crisis for unions regarding their future role. ICTU conferences became circular set-piece debates involving an ageing core of a few hundred officials, as an internal ICTU report concluded, and with growing member apathy, delegates mostly the same long-term executive members or full-time officials pre-mandated to vote on agenda items. Leaders like Attley and Carroll saw the movement fighting to prevent its threatening “marginalisation”.⁶⁰

An inner circle in the ICTU strove to reverse this threat by maintaining a commitment to a National Understanding, as in the last minute initiative with Haughey at the end of 1982. They recognised that with relations in production changing under the “new capitalism”, shop-floor militancy and veto power were phenomena of a passing era. They looked to worker participation in economic planning and in partnership at company level – vigorously opposed by the Left – as a new strategy for the movement. The ICTU based its case for a revived tripartitism not solely on the pay aspect but rather as a basis for an industrial and particularly employment recovery. This case was articulated in ‘The Real Way Forward’ of December 1982 and in a pamphlet by three “socialist economists”, *Jobs and Wages*, which, influenced by the rise of the Workers’ Party, marked a turn by the Left to a state-orientated tripartite industrial strategy.⁶¹

The case for an autonomous industrial strategy based on a union-employer-government partnership was further reinforced by disillusionment with the Labour Party. Following the first FitzGerald coalition, an ITGWU official wrote

⁵⁹ “empowerment”, Wickham 1980; unofficial strikes and Labour Court, Hardiman 1988: 221-2; issues in disputes, *IRNR* 1982-6; Devine 2009: 794; union redundancies, Roche and Larragy 1987; in ITGWU, Devine 2009: 692-3; “underloaded”, Merrigan at ICTU ADG 1985: 7

⁶⁰ ICTU report in ICTU AR 1987: 8-9; “marginalised”, ICTU ADC 1987: 5-12 and Hastings et al 2007: 10

⁶¹ “ageing left”, Merrigan 2014: 163-5; new ICTU strategy, ICTU ADC 1986: 206-9; Group of Socialist Economists 1983;

that “in the Irish context, the trade union movement has a particular responsibility to articulate the aspirations of workers, given the absence of any real effective political party to do so”. Unions looked to north-European corporatism for inspiration. ICTU’s powerful public services committee deferred its pay strategy in 1983 until it was clear that FitzGerald would not entertain a return to an Understanding-type agreement. “Organised labour”, Phil Flynn, a rising LGPSU leader, told a 1984 ICTU conference, had been “on a hiding to nothing”. “Our credibility is on the line” as the unemployed and the young were “calling into question the relevance of trade unions”. Unions had no choice but to prepare an industrial plan, “mobilise around a set of social and economic demands” and insist on a recovery strategy as the basis of “the next pay round”.⁶²

The coalition’s ending of tripartitism and side-lining of its institutions, while in tune with a global trend, were, apart from a certain freeing of bargaining in the private sector, increasingly regarded by many on both sides of industry as a regressive development, especially as the employment and development crisis deepened. With this realisation, particularly on the union side, the framing of a return to a consensus industrial recovery strategy had already begun in 1983.

⁶² “in the Irish context”, *Liberty*, Feb. 1982; Flynn, ‘Collective Bargaining, ICTU 1984’, Flynn Papers

Part 2:

**Genesis and construction of the “PNR”
1984-87**

Chapter 5

Policy revolution: the politics of the NESC plan

Inception: Ó hUiginn, Flynn and the genesis of an idea

Pádraig Ó hUiginn, regarded by coalition leaders as too closely associated with the 1980-82 Haughey governments, was “exiled” by FitzGerald to chair the re-constituted but downgraded NESC in June 1984. This would have major unintended consequences. Ó hUiginn sought to revive the “demoralised” institution, whose business and union representatives found his informal but energetic style refreshing and invigorating. From a modest northside Cork city background and, like Haughey, educated by the Christian Brothers through scholarship, later also excelling at university, Ó hUiginn, following a brief involvement in radical republicanism, had entered the civil service at a modest grade but then advanced rapidly in it. He enjoyed an unusual career, especially in his considerable European and international experience in economic briefs. His rise to the top of the service was purely meritorious, as with contemporaries of his such as Seán Cromien in Finance, a man from a similar background. That Ó hUiginn would thrive in Haughey’s circle was unsurprising, and during 1980-82, on transferring to Haughey’s Department with the socio-economic planning staff of O’Donoghue’s disbanded one, he was promoted to secretary level and oversaw its new Economic and Social Policy Division, where he played a central role coordinating Haughey’s 1982 *Way Forward* planning group.¹

Despite the ICTU’s fraught relations with government, and its membership’s hostility to a return to central bargaining, those favouring an Understanding sought to revive a basis for it. Among the most committed was Phil Flynn, newly appointed LGPSU “acting general secretary” following Harold O’Sullivan’s secondment to FitzGerald’s National Planning Board. Flynn, from a border county and whose father had suffered discrimination and long unemployment in the North, was a Republican socialist, his politics and activism formed through the Irish Workers Group in 1960s London. As an official in the LGPSU’s health service section he had had dealings with Haughey as minister in the late 1970s.

¹ Interviews with Ó hUiginn, Attley, O’Sullivan, Power

In 1982 he was elected Vice-President of Sinn Féin, then a marginal party tied to the IRA but since the hunger strikes emerging as an electoral force.²

Flynn urged his LGPSU executive, despite the on-going public pay conflicts, to pursue a return to a National Understanding with government, a position it then formally adopted in 1983. “In the present climate”, he argued, “the interests of members and their families would best be served if [bargaining] was national in character and included both pay and socio-economic elements”, with the “actual cash increase into the hand of workers achieved by the necessary tax adjustment”. This was already a formula tried in the 1980-82 Understandings. Flynn proposed it essentially as a political strategy at ICTU level, urging it to adopt “a national approach to bargaining in the next pay round” and “mobilise around a set of social and economic demands”. But an ICTU pay conference rejected this as pointless in “the absence of support for [it] from Government”.³

Other rising leaders, notably Attley of the FWUI, a decidedly non-Republican socialist, and older “centralists” such as civil service leader Dan Murphy and John Carroll of the ITGWU, were aware of the new possibility opening at NESC with the appointment of Ó hUiginn, and manoeuvred for a mandate from ICTU to exploit it. At the following ICTU annual conference, in July 1984, which elected ATGWU leader Matt Merrigan - who decried central bargaining as “class collaboration” - as Congress President for the year, a proposal from Flynn to pursue a national deal encompassing “jobs, taxation, land property speculation, health and education” was again rejected. But two lengthy motions, proposed through their unions by Carroll and Attley advocating “economic planning” – a mantra all accepted - were carried. Carefully buried within them were statements that planning be “in full co-operation with the trade union movement” and deliver “an integrated programme” agreed with “Government”. They made no link to pay, which would only have drawn the ire of the Left.⁴

With this mandate at least for negotiating an “industrial plan”, pro-agreement leaders drafted an ambitious document, *Confronting the Jobs Crisis*, timed to

² Interview with Flynn

³ “In the present climate”, Flynn at LGPSU Exec. Board 08/04/83 and ‘Report on Agenda for H&S Div. Exec.’, 08/04/83; Flynn to ICTU, ‘Collective Bargaining, ICTU 1984’ (speech), Flynn Papers; “reported back”, ‘Report on Agenda, Exec. Board’, 23/03/84

⁴ “manoeuvre”, Interviews with Cassells, Flynn, McLoone, Attley; “class collaboration”, Merrigan 2014: 142-8; ICTU ADC 1985: 3-14; motions, ICTU ADC 1984: 61, 73-83

appear that autumn ahead of FitzGerald's *Building on Reality*. The driving figures behind it were all committed to achieving a new Understanding - Carroll, Flynn, Murphy, Quigley and Attley. It was compiled by the new deputy general secretary, Peter Cassells, unlike Nevin an enthusiast for social partnership and once associated with the B&ICO, with assistance from like-minded researchers in individual unions, such as O'Riordan and Róisín Callander in the ITGWU, both former B&ICO members and Callander now influential in the Workers Party. The plan avoided traditional union jargon or the language of "demands", specifically so as to enable a "policy dialogue" develop at the NESC. Cassells, showing the plan to Ó hUiginn, proposed that he try to secure FitzGerald's consent to the NESC, despite its weakened remit, working on a "consensus" industrial strategy.⁵

Confronting the Jobs Crisis repeated the principles of ICTU's earlier 'Real Way Forward' of 1982, but greatly expanded on them. It accepted the need for controlling public expenditure while pursuing an expansionist industrial policy, and, uncommonly, and though seeing state industry in a pivotal role, proposed an expansion of private sector industry. Also, somewhat stretching its conference mandate, it indicated a role for pay moderation, weighted towards the lower paid and compensated for through social policy and tax reform. Critically, it identified the tripartite NESC as the "appropriate body" to develop the plan.⁶

The ICTU plan's backers ensured it was widely circulated in the movement, billed as its main strategy, though the motions enabling it had hardly suggested that. Flynn urged LGPSU branches to endorse it and at a special ICTU conference on it described its core strategy: "The struggle for a planned economy is more than a firmly held trade union principle ... A national plan must be a negotiated document ... extending collective centralised bargaining to a new level".⁷

The Plan's proposed role for the NESC mirrored that of Lemass's NIEC of the 1960s, as well as that of the transformed NESC the ICTU had argued for when paving the way for the National Understandings and which Haughey had sought to realise in 1980. But its immediate context was the opportunity opening at the

⁵ "driving figures", ICTU EC mtgs. 18/07, 19/09/84; drafting/ language, Interviews Attley, Cassells and Callander; promote with NESC, ICTU EC mtgs. 19/09, 17/10/84; Cassells' approach, Interview Ó hUiginn

⁶ *Confronting*, ICTU 1984

⁷ Dissemination, ICTU EC mtg. 17/10/84; promotion by Flynn, 'Report on Agenda for H&W Div.' and LGPSU Exec, 17/12/84; "planned economy", speech, 'Special Conference ICTU 01/11/84' Flynn Papers

NESC. This was again demonstrated in an unorthodox move by ICTU's Executive which, after publishing the plan, nominated Attley and Carroll as "alternates" to its existing second-tier representation on the Council to ensure an authoritative pro-partnership presence at the NESC should it assume a strategic purpose.⁸

These ICTU appointments and the proposing and drafting of the plan had followed Cassells' soundings with Ó hUiginn on the possibility of the Council serving as a vehicle for an economic strategy. Ó hUiginn had responded positively, and ICTU's plan, with its conciliatory language, was the result of these contacts. Ó hUiginn circulated the ICTU Plan to key Departments, ostensibly for their comments on "what is already policy, ... what might be acceptable [and] what is definitely unacceptable", but in reality to engage them in a new policy process. He wrote to FitzGerald, urging him too to engage with it, drawing his attention to its innovatory aspects - for a union document - and its "many points of agreement" with government policy. Apart from its "unrealistic" emphasis on state industry, he listed these as its acceptance of reduced public expenditure, a pro-active EEC policy, and industrialisation through "advanced technologies, high-growth and resource based areas". He stressed its proposed "well-defined role for the NESC" and said its proposal for "some planning of incomes" through the pay/tax relationship "suggests an opening which should be explored".⁹

But government was uninterested. At an awkward meeting with the ICTU in early 1985, FitzGerald "lectured" it on his deflationary strategy, to which there was, he said, no alternative, and insisted public pay remain a stand-alone issue. In vain, Ó hUiginn in June again urged him to engage with ICTU's plan, repeating its pay/tax proposal and willingness to contribute to "solving the deficit problem". Despite even an ESRI study proposing "that pay restraint could best be achieved through a broadly-based negotiated incomes policy", he continued to be swayed by T.K. Whitaker who held to a statutory controls approach.¹⁰

⁸ ICTU EC mtg. 17/10/84

⁹ Sec. [Ó hUiginn] to Taoiseach, 'Meeting with ICTU', 28.11.84, and ICTU to Taoiseach 28.11.84, DTA: OHP

¹⁰ ICTU AR 1985; ICTU EC meetings 18.09 and 10.10.1985; Secretary [Ó hUiginn] to Taoiseach, 20.06.85, 'M/Finance letter of 17 June on Pay Policy', DTA: OHP; ESRI position, Kennedy, K. 1984

Parting of the ways: the Labour/union policy split

Despite FitzGerald's dismissal of both the ICTU's plan and Ó hUiginn's plea to engage with it, Phil Flynn and other union leaders worked to keep alive its possibility. The ICTU went through the motions of inviting both government and employers to engage on it in the hope, as Flynn put it, that this would "contribute to continuing in the public mind the concept of a [pay] round which employers have been anxious to bury". He had the LGPSU Executive secure its members' support for a motion that ICTU should "rigorously pursue negotiations with government ... at the earliest possible date" for "a return to centralised pay bargaining in the format of an annual National Understanding for Economic and Social Development as the only effective method of ensuring a trade union input into national planning ... to end unemployment and achieve a just distribution of the nation's wealth and a real and substantial reform in the tax system, ... structured in favour of the less well off". Given that LGPSU members' interests were addressed in public sector pay agreements, this was a political manifesto.¹¹

Two other union leaders promoted an identical position – Carroll of the ITGWU, and Attley of the FWUI, with Carroll, who maintained close contact with Haughey, bluntly telling his union that the ICTU jobs strategy was only realisable through a National Understanding. This was not solely a personal position, as both unions had been central to corporatist endeavours since the 1940s. But both men were also Labour Party members, Attley passionately and Carroll more ambiguously, and hoped though despaired of a coalition change of course through the agency of the party. They sided with the party leadership against the Left, Carroll deploying ITGWU's block vote against a 1985 motion to renegotiate the coalition programme, which would have brought down the government.¹²

But as Labour was increasingly side-lined in cabinet, party-union relations became more fractious. This had begun with the resignation in 1983 of Frank Cluskey, who on losing the party leadership had been relegated to a junior ministry and marginalised. He resigned over Bruton's bailing out of Dublin Gas shareholders, denouncing it as crony capitalism. The new Spring/Desmond leadership, guided by advisor Fergus Finlay, prioritised social reform in areas

¹¹ 'Report on Agenda for Exec. Board', 09/05/85; 'Annual Delegate Conference' 15-18/05/85, ILHS: LGPSU

¹² Carroll in Devine 2009: 708; "block votes", Horgan 1986: 127-8

such as contraception and defending health and welfare spending, and were hostile to ICTU's tripartite agenda. Like Norton in his dismissal of the NIEC in the 1960s, they were, in essence, as opposed to tripartitism as Fine Gael was.¹³

Finlay recalled how relations between party and unions "plummeted throughout the time we were in government", their respective leaders "barely on speaking terms" by 1986. The ICTU, he claimed, regarded the party as "a dog that would bark whenever they kicked us", Carroll "routinely" denouncing as "Thatcherite" budgets in which "Dick and Barry had fought for weeks to protect essential social spending". Desmond, a former ICTU official, who in government in 1981 had failed to retrieve the National Understanding, was equally resentful, particularly of Attley, who he accused of "undermining" Labour in government. The party was also under pressure electorally and in the unions from the rising Workers Party, which in 1985 won nine seats on Dublin City Council to Labour's two and appeared to be on the verge of replacing it in the capital.¹⁴

Labour was in a dilemma, only able to pursue its objectives in coalition by submitting to Fine Gael economic policy. The cabinet's overruling of arbitrators' awards and resulting widespread union unrest, and the subsequent teachers' strike, further tested union patience. In August 1986 Bruton reiterated his deflationary strategy, following an 8 per cent "downward adjustment" of the IR£ in the EMS by instituting a pay freeze to "suppress inflation" in September. Unions affiliated to Labour, led by the ITGWU and FWUI, had already in February 1986 called for it to "stay out of government for a decade ... to build itself up as a credible alternative government". They now also backed the left-wing leadership challenge by Emmet Stagg and, in an unprecedented move, the ITGWU had a motion adopted that forced the ICTU to demand that the government resign and parties fight an election on both their socio-economic policy record and their position on the ICTU's plan, which of course only Fianna Fáil had welcomed.¹⁵

The Northern conflict intruded again to further sour union-government relations when Phil Flynn was appointed acting LGPSU general secretary. FitzGerald forbade ministerial meetings with Sinn Féin members, which

¹³ Cluskey, in O'Mahoney 2015: 27-9, 36-8, Halligan 2015: 132-3

¹⁴ Finlay 1998: 43-4; Desmond 2000: 210; on rise of the WP, Hanley and Millar 2009: 468-71

¹⁵ Bruton position, 'Statement by Minister for Finance, John Bruton, 02.08.86' GIS: D/Finance; "stay out of government", Horgan 1986: 140; ICTU call on government, ICTU ADC 1986: 100-13

Desmond defended as “an act of political hygiene”. Minister Noonan called on LGPSU members not to ratify Flynn’s appointment and when Flynn was nevertheless appointed, another Fine Gael Minister, Paddy Cooney, urged the ICTU to exclude him from its Executive. Some LGPSU branches did oppose his ratification or demanded he resign his Sinn Féin role, but the ever-popular and effective Flynn succeeded in not only being voted onto the ICTU Executive but in becoming chair of its powerful Public Services Committee. His own union even lobbied government for a visa for him to travel to the US, a request it refused.¹⁶

Ironically, it was just as union relations with Labour had reached an all-time low and the coalition appeared on the point of disintegrating that FitzGerald finally risked a move towards a shared socio-economic planning approach.

Strategy revolution at the NESC

Following FitzGerald’s rejection of his proposal to engage with ICTU’s plan as the basis for a pay/tax strategy in 1985, Ó hUiginn took a different tack. He now suggested that he approve an ICTU request for the NESC to be allowed prepare a “mid-term review” of macro-economic policy. FitzGerald deflected this by asking the NESC for “feasible proposals in the short term for specific improvements in the environment for job creation and job protection which the social partners could jointly recommend”. But the relatively marginal issues he suggested they examine - disability benefits, PRSI and employment schemes - were precisely “micro-issues” Ó hUiginn regarded as of a kind with the divisive subjects which Ministers had been imposing on the council. FitzGerald, unsurprisingly, found the inconclusive results that NESC produced on these issues “disappointing”, confirming his negative view of the “consensus” seeking Council.¹⁷

During 1986, however, as cabinet relations deteriorated, FitzGerald agreed to a suggestion by Ruairí Quinn that Quinn sound out Carroll and Attley on the potential for a “social pact” based on a tax/pay trade-off. Quinn, a minister, FWUI member and Cluskey protégée, was the only front bench voice even mildly favourable to tripartitism. But when he reported their positive response,

¹⁶ Desmond and Noonan in Browne, V. 2006; Flynn’s position, LGPSU, ‘Report on Agenda for Exec. meetings’ 04/11/83, 24/02/84, Exec. Board meetings 19/12/1980, 09/12/83 and ‘Annual Delegate Conference’ 15/05/84, Special Exec. Board meeting, 25/04/86

¹⁷ “review”, ICTU AR 1984: 223, Hastings et al: 27, Interview Ó hUiginn; “feasible”, Power 2009: 57-8; FitzGerald idea, ‘Council Meeting 25/07/1986, NESC Archive: Box 3b; “disappointing”, Power 2009: 58

FitzGerald was sceptical, telling cabinet that Nevin told him union leaders would oppose talks with him. These “leaders” were presumably Carroll, Attley and Flynn, but Carroll, although certainly favouring dealing with Haughey, later claimed ICTU was willing but FitzGerald would simply not take the “gamble”.¹⁸

At the end of 1985, however, FitzGerald, his government under pressure by public service disputes, finally conceded that NESC might “play a useful role in looking at the employment/unemployment/public finance situation and attempting to reach some agreed position on it”, especially “if it were to come with agreement by all social partners”, and told a CII conference that he would welcome “agreed views on development policies ... that would have a strong impact on employment”. Ó hUiginn grasped the opportunity, using the excuse of the Council’s limited resources to set aside its “micro” projects and focus on the “plan”. Work, initially delayed by heated public debate between the ICTU and FUE/CII over budget policy, got underway, Ó hUiginn tabling the ICTU’s Jobs Plan and Fianna Fáil’s *Way Forward* among the documents for initial discussion.¹⁹

A framework “economic and social review set in the medium term” soon emerged, with “policy groups” of council members interrogating outside experts, receiving submissions and examining policies under the strategy headings of the ICTU plan - macro-economic/financial, industrial, tax and social policy. The outcomes were debated and collated by NESC staff into an evolving document, titled “*Strategy for Development*”. The process was driven by Ó hUiginn in an atmosphere described by Cassells as “like a government-in-exile”, one civil servant saying Ó hUiginn turned the NESC from an “underused back-room into a policy powerhouse”, applying “Chatham House Rules” to ensure confidentiality and encouraging the ICTU and FUE to leave their differences at the door.²⁰

Employers were initially reluctant to engage, given their hostility to a return to central agreements. But the business lobby, CII, was convinced by Ó hUiginn to participate, especially on industrial policy, and internally began to consider the

¹⁸ Quinn initiative, Quinn 2005: 246-7; “gamble”, Hastings et al. 2007: 28

¹⁹ FitzGerald proposal to NESC, ‘Council Meeting’ 16/10/1986 and ‘Draft Preface’, NESC Archive: Box 3b; Power 2009: 58; Ó hUiginn to Taoiseach, n.d. [11/02/86] ‘Re: NESC Report’, DTA: OHP; originis of report, Ó hUiginn ‘Presentation ... on Strategy for Development’, NESC ‘Council Meeting’ 11/06/87; tables “Confronting” and “Way Forward”, interview with Ó hUiginn

²⁰ ‘Presentation by Chairman on Strategy for Development’, Council Mtg. 11/06/87. NESC Archive: Box 3b; Interviews with Cassells; “Chattam House”, interview with anon. D/Taoiseach official

framework of a “social partnership” as proposed by ICTU leaders for the “strategy for economic recovery” emerging. The council’s *modus operandi* was an implicit understanding to cooperate while agreeing to disagree on what divided them, such as specific options in reducing public expenditure rather than the principle of it, or even whether a pay agreement had to form part of a recovery strategy. While ICTU was committed to this, CII still favoured a purely industrial strategy backed by “political “consensus”. But the principle of controlling spending and a consensus industrial strategy were shared by all partners.²¹

Haughey followed the NESC process closely and, as will be seen, played a critical role in the emergence of both the ICTU and NESC plans. While FitzGerald appears to have taken little interest in the NESC work, Haughey ensured he was kept apprised, urging any with whom he had influence to “try to hammer out” a “consensus”. Ó hUiginn had no formal contact with Fianna Fáil and kept his professional distance, but all involved saw him as a driving force, McCreevy later describing him rather colourfully as “the smartest civil servant, the smartest person I ever met ... His role was at least equal to Whitaker, if not greater”.²²

By October 1986 the massive, 400-page *Strategy for Development 1986-90* had emerged. It incorporated and synthesised a wide range of policies, from Telesis to *The Way Forward*, IDA’s sectoral and inward investment strategies, the ICTU Plan’s proposals on state companies, tax and social policy, and CII suggestions on infrastructure and greenfield sectors such as traded services. It was unique as an “integrated four-part” plan, covering the macro/financial, industrial, taxation and social equity elements which it insisted had to be implemented simultaneously. Tax reform was a policy lever to stimulate growth and expand the labour force, compensate for pay moderation and increase equality. The Plan stressed the need for any strategy to form a consensus across social interests and parties.²³

While referencing the sense of purpose of the Lemass era, the planning NESC proposed surpassed that of the 1960s in state activism. It also referenced then current institutionalist “small open economy” theory, notably Katzenstein, which

²¹ CII position in Con Power, ‘Strategy for Development. Speech to South Co. Dublin Fine Gael’, 25/02/86. Power Papers and *CII Newsletter*, 11/11/86

²² “hammer out”, Interview with Ó hUiginn; “influence”, interview with Mansergh; Ó hUiginn role, Rafter 2002: 128; McCreevy quoted in Hastings et al.: 34

²³ NESC 1987

argued the central role of an integrated institutional state and national policy consensus in generating and implementing successful development strategies. Given the dearth of venture capital or an industrial investment culture, NESC proposed interventionist planning as the key driver of development, criticising the traditional over-reliance on purely fiscal policy. It also critiqued the conservatism and inefficiencies of indigenous industry, proposing that modernisation and scaling up of potential large-scale export performers through preferential state supports be a priority, particularly in underdeveloped natural-resource-based and service industries. FDI was seen in an ancillary but critical role. Instead of the indiscriminate approach of the 1960s-70s, FDI should target only select high-skill sectors to develop comparative advantage, drive a rising value-chain, improve production quality and through “linkages” develop indigenous firms. The food sector was singled out as having significant growth potential, but to supply it agriculture would have to overcome over-seasonally dependent production and be weaned from grant reliance towards greater commercialisation. Improving “social equity” would be essential to developing a motivated, skilled workforce, by removing welfare traps, facilitating social security supports and educational access, and removing barriers to the economic and social participation of women and disadvantaged groups.²⁴

One area on which a consensus was not achieved was, ironically, on what exactly “consensus” entailed! This was due to political differences between, and within, union and business groups. The NESC report could only agree “that reference be made ... to the importance of building consensus if the measures necessary to deal with the current economic and social situation were to be implemented”. In early 1986, on the ICTU’s initiative, the council had agreed to study “institutional arrangements for economic and social planning” elsewhere, identifying a specific “number of European countries”. But attempts to progress “study visits” to further this made little headway, and were soon abandoned. Ó hUiginn suggested a compromise formula for the *Strategy*:

“There is a need to foster a greater degree of consensus in Irish society if these measures are to be implemented without giving rise to conflict. This consensus is necessary both on the national level and the level of the

²⁴ NESC 1987; on “SOE” theory, Katzenstein 1984

workplace. The Council intends to pursue this issue further, through examining the institutional arrangements for economic and social planning in a number of European countries and in particular the mechanisms in place for the achievement of consensus".²⁵

In the event a weaker formulation was agreed, that stressed the value of "consensus" without specifying institutions, especially at the workplace level, but committing NESC to "pursue this matter further". The reason was employer antipathy to "power sharing" in industry, which they had consistently opposed since the 1960s, and what they saw as ICTU attempts to foist a commitment to an Austrian-style corporatism on the NESC. The Council was a consensus-seeking rather than negotiating body, and in other areas it avoided divisive subjects. As Ó hUiginn pointed out, consensus on strategy could only recommend so much, with specific measures a matter for the negotiating parties and political arena.²⁶

The NESC strategy was novel in its comprehensiveness, its range of specific proposals collated from existing plans, the indivisibility rather than a-la-carte nature of its four strategy areas, and its emphasis on state institutions being coordinated in a concerted consensus. In essence this approach was inherent in *The Way Forward*, Telesis and the NESC proposals of 1982, only now integrated as a national strategy. The core aim was tackling Ireland's comparative underdevelopment rather as well as the immediate debt crisis, and this contradicts a widespread view that the plan could "only" have emerged in the conditions of the 1986 crisis. But on monetary adjustment, it produced a formula to also resolve that problem. This originated with Jim O'Leary, a young economist on the NPB seconded to the NESC to work on the plan. He proposed replacing linear deflationary measures with gradual debt/GNP reduction *ratio*, "stabilising" it at a target level within three years, and with economic expansion through industrial strategy "out-growing" it thereafter. The last NESC meeting on the *Strategy* agreed to include "some of the implications of this note".²⁷

²⁵ "examine structures" and "study visits", NESC mtgs. 25/07, 19/09, 19/12/1986, 'Draft Report', 'Work Programme 1986', NESC Archive: Box 3b; Ó hUiginn text, 'Draft Report', NESC Council Mtg. 19/09/86,

²⁶ NESC Council 19/12/86 – 'Work Programme 1987. Note from Secretariat'

²⁷ "only have emerged", Begg 2016; O'Leary formula, 'Secretariat Note – Alternative paths to Fiscal Adjustment' [by JO'L], Council Meeting 16/10/1986, NESC Archive: Box 3b; also Hastings et al 2007: 20

NESC members were aware that many of the report's proposals would be opposed by government. But they nevertheless agreed one explosive conclusion: that "while the current situation is grave the Council is even more concerned ... that the medium term prospects on the basis of unchanged policies offer no relief". They also criticised as "defeatist" the popular public discourse on the "end of work" and a "jobless future", insisting that "the fall in manufacturing employment ... is more the result of the type of industrial and other policies ... pursued than the product of any set of immutable historical forces".²⁸

FitzGerald was furious. When the NESC presented its *Strategy for Development* in November 1986, he effectively rejected it by claiming it justified his deflationary strategy. Much of the press, including even the *Irish Press* which as a Fianna Fáil-linked newspaper might have been expected to sympathise with its approach, showed little understanding for it, highlighting almost solely, and approvingly, the recommendations prioritising spending cuts and debt reduction. Spring demanded to know which spending cuts the NESC had in mind and, although proposing that NESC nevertheless be consulted when drafting the budget, sarcastically welcomed "trade unions taking a new attitude towards pay, competitiveness and restrictive practices". NESC was alarmed at the responses, though media hostility to unions was nothing new, with some unions officially "boycotting" the *Irish Independent* because of its biased coverage of disputes. But, fearing "for the fate of the report", the NESC issued a statement emphasising it as an "integrated" four-part strategy, no part of which could "work on its own".²⁹

ICTU condemned the government's "scandalous abuse and misuse of the report" and its "selective use" of its recommendations. The report did not, "as claimed by the Taoiseach", "endorse current Government policy", but on the contrary concluded that current policies were driving unemployment and the "deterioration in the public finances". The CII also publicly defended the report, stressing its integrated "four-part" aspect. More reservedly, FUE welcomed it as "helpful for business planning and pay bargaining" to have "as little uncertainty as possible about national economics, social, industrial and agricultural policies".

²⁸ Mtg. 19/09/86, 'Draft Report', NESC Archive: Box 3b. Also, Interview Cassells and Allen, M. 1998: 247-50

²⁹ FitzGerald position, 'Government Statement' in NESC Council Meeting 13/11/86 and *IT* 14/11/86; press reports, *IT*, *II*, *IP*, 13-16/11/86; Spring in *IT* 17/11/86; LGPSU boycott of *Independent*, LGPSU, 'Reports on Agenda. LG&PB Div. Exec.', 18/01 and 18/10/85, Exec. Board mtg. 18/01/85; NESC 'Press Statement', 13/11/86, in *Irish Press*, 14/11/86 and Council Meeting 19/12/86

While it supported a tripartite development policy, including guidelines on pay, it was still opposed to national-level wage setting and minimum wages.³⁰

Given the debt, emigration and unemployment crisis, the obvious imminent disintegration of the FitzGerald coalition over budget policy, and the continued industrial unrest, these responses by government and employers to the NESC report were hardly surprising. The pro-partnership faction in the ICTU leadership was well aware of this, having engineered its own Jobs Plan to revive a basis for social dialogue in 1984 and behind the scenes working with Ó hUiginn to have the NESC secure government consent to develop a plan for economic recovery. By 1986 it was in little doubt that the government with which it would most likely be able to realise a restoration of social partnership was not the incumbent one but the imminent prospect of a Haughey one.

“Palace coup”: the ICTU secures a “mandate”

It is not true, as some studies claim, that ICTU entered talks with Haughey on social partnership in 1987 “without a mandate” from its members. This error is understandable given the considerable subterfuge involved in securing that mandate. As work got underway on the NESC report in early 1986, and with a change of government in 1987 increasingly likely, the pro-partnership leaders, convinced a once-off opportunity was presenting, determined to secure a mandate to be able to enter talks immediately a new government was formed, well aware that that this would not be a simple task.³¹

The trade union movement was a house divided. As described in chapter 4, ICTU was an alliance of interests often divided due to the divergent interests of different unions. Congress’s carefully balanced 25-member Executive Council reflected the dominant strands in the movement and its authority relied on the acquiescence of its affiliate unions to policy courses adopted. Social partnership divided the movement like no other issue.

Two ICTU conferences in 1983 had rejected Phil Flynn’s proposal for a restoration of social partnership as ICTU’s central strategy, on the ambiguous grounds that it was “pointless” pursuing it in the absence of a government

³⁰ ICTU AR 1987: 212; *CII Newsletter*, 11/11/86; *FUE Bulletin*, Nov. and Dec. 1986, Feb. 1987

³¹ “no mandate”, e.g. Adshead 2011

willing to engage. The pro-partnership group had had to carefully politic first to build the basis for a return to such a strategy. As described above, this had been achieved, following FitzGerald's "exiling" of Ó hUiginn to the NESC in June 1984 and union leaders' discussions with him, through disingenuous motions they secured through ICTU's July 1984 conference authorising Congress to draft an "industrial policy", though with a coded link to pay buried in the text of the motions to enable a strategy form the basis of a negotiated agreement. This plan – *Confronting the Jobs Crisis* - kick-started both the strategy development at NESC and ICTU's political re-engagement with Haughey, now securely in control of his party, who advocated a partnership strategy if he returned to government. The pro-partnership leaders now required a mandate to open talks on an agreement.

Given the on-going union conflicts with FitzGerald's government and the collapse of relations with Labour, ICTU leaders could hardly propose a strategy of policy collaboration with that government or openly declare a preference for a future Fianna Fáil government to replace it. But if on tenuous ground politically and uncertain of support on the ICTU Executive, the pro-partnership leaders were strong organisationally. They dominated the ICTU Executive's agenda-setting "General Purposes Committee" (GPC) and its NESC representation, and used this position both to ensure that John Carroll of the ITGWU – who had close relations with Haughey - would be in the key position of Congress President during 1986-87 when the likely change of government occurred, and to arrange the 1986 ICTU conference agenda. Achieving a mandate to engage with a future government was a "high-risk strategy", entailing what an LGPSU official would call "something of a palace coup" at the July 1986 ICTU conference.³²

ICTU conferences were four-day affairs, with a social evening before a final, usually poorly attended, morning session devoted to worthy, non-contentious issues. The pro-partnership group – Carroll, Attley, Murphy and Flynn - decided to have a brief and seemingly innocuous motion on pay not adopted and proposed through the Executive, as would be normal for such an issue, but put directly to conference during that sleepy final morning session as a routine motion by the LGPSU. To further avoid highlighting its significance, Flynn

³² GPC and NESC membership in ICTU AR 1987; "high risk strategy", interview with Cassells; "palace coup", interview with McLoone; see also Hastings et al. 2007: 18

absented himself and had his then little-known deputy, Peter McLoone, propose it with a short speech he had prepared for him. Flynn's speech declared that the traditional union aims of a right to work, decent housing, health and education, and "a fair return for [their] labour" could be realised only "by extending collective bargaining to new levels through a series of national understandings". The motion itself simply proposed that ICTU seek "a return to centralised *pay* bargaining in the format of an annual National Understanding ... ensuring trade union input into national planning". Moved to objections from surprised anti-agreement delegates in what McLoone called a "near-empty hall", it was supported by Carroll and Murphy and passed. The leadership had the mandate it needed to open negotiations, with the critical word "pay" included.³³

Following the securing of the mandate and, in December 1986, publication of the NESC report as a general election was increasingly obviously imminent, ICTU held a "Special Conference on Pay, Jobs and Taxation" to strategise its aims for the series of National Understandings it envisaged. With the anti-agreement unions powerless to oppose this as it accorded with adopted policy, the meeting assessed the weaknesses of previous Understandings, deciding that a monitoring body would be essential to ensure delivery of any new agreement. It also identified the policy areas ICTU should prioritise - summarised in *A Plan for Work* - endorsing the NESC report and its debt/GNP formula, and a tax-offset approach to pay negotiations. 10,000 copies were circulated to political activists nationwide during the election.³⁴

The context was a firm commitment ICTU leaders had secured from Haughey.

The "Haughey Factor" again decisive

Haughey, summarising his party's history in 1980, described de Valera's achievement as establishing the nation's sovereignty and intellectual freedom, and Lemass's as an economically successful state as the substance of that independence. His own political goal was to realise the economic success for which Lemass's "techniques of modern nation-building" had laid the basis. "Harnessing" the creative potential of social forces such as unions to realise it

³³ Interviews with McLoone, Cassells, Flynn; on "little known", the ICTU conference report misnames him as "McClune"! "debate", ICTU ADC 1986: 223-9; Flynn speech, 'ICTU, 1986, Res[olution] 7', Flynn Papers.

³⁴ ICTU AR 1987: 194

was the substance of “national endeavour”. This was a consistent position he had presented repeatedly since the 1960s as a singularly “pragmatic” concept.³⁵

Haughey had sought to frame his *Way Forward* economic plan in a new type “social partnership” in autumn 1982 and before going into opposition in December had again approached ICTU proposing a National Understanding as a balanced programme combining financial adjustment, pay determination and industrial expansion. FitzGerald, while not averse to cooperative policy structures, considered tripartitism and monetary entrenchment mutually exclusive, and suspended the former to achieve the latter, while Haughey’s model remained Germany’s corporatist approach which he had discussed with Helmut Schmidt. While FitzGerald ignored the ICTU’s December 1982 renewed call for a “negotiated” plan, Haughey had welcomed it, pointing to Fianna Fáil’s record of interventionism and describing, point-by-point, the compatibility of *The Way Forward* with Congress’s position. He endorsed its proposals on public enterprise, sectoral planning, industrial growth based on natural resources, and even worker participation. A recovery strategy could protect wages and welfare benefits, he said, and he promised a “permanent economic and social planning system” founded on “widespread consultation”.³⁶

Once in control of the party following several failed “heaves” by opponents, Haughey in opposition in the mid-1980s developed a programme building on the sectoral approach of *The Way Forward* and ideas gathered from unconventional business and social entrepreneurs. He integrated these into what he increasingly called a “programme for national recovery”. On hearing of an innovative idea he would typically invite the individual concerned to present it and, if convinced, adopt it as party policy. This was the case with Dermot Desmond’s idea for a financial services centre which the coalition had rejected, and Eoin Sweeney’s marine policy. When Sweeney, a former ITGWU official, called for an industrial strategy to exploit maritime resources, Haughey “summoned” him and after listening to his case had it adopted virtually unchanged as Fianna Fáil policy.³⁷

³⁵ Haughey, ‘Presidential Árd Fheis, 16/02/80, in Mansergh ed. 1986: 327

³⁶ On 1982 initiatives see chapter 4

³⁷ Haughey on “National Recovery”, ‘Presidential Address to Árd Fheis’, 30/03/85, Mansergh ed. 1986: 935, and in Dáil 16/01/86; on Desmond proposal, see chapter 8; Sweeney, Obituary, *Irish Times* 19.08.17

In 1984 Haughey re-committed to tripartitism: “We will re-establish in Government a close understanding with the social partners and secure their full co-operation in achieving clearly stated and fully understood economic and social objectives”. Following the coalition’s rejection of arbitration decisions and the wave of public sector disputes, he attacked it for its “insensitive handling” of industrial relations and failure to “win the confidence of workers and their representatives” or “establish some understanding of policies and targets” with the unions. Government should revive the National Understanding or “devise some similar kind of mechanism” to unite employers, unions, expert centres “and all other relevant sectors fully behind clearly defined economic policy objectives ... The full cooperation of the trade union movement is vital”.³⁸

This was consistent with his approach as Minister in the 1960s and Taoiseach in 1980-82. For him, trade union power, as he had put it in 1975, reflecting Barbara Cassells’ *In Place of Strife* of 1969, was a “socio-political fact” to be harnessed in a common plan: “If the planning process does not permit [it] to be exercised in developing the economic system, we must not be surprised if it seeks its own ends independently”. While he continued to hold to his 1982 *Way Forward* plan, with its combination of monetary reform and state-driven industrial expansion, he castigated FitzGerald’s government as “monetarist”, a prisoner of “Thatcherism” and “New Right” economics wedded to a “book-keeping ethos”. Growing social polarisation was a consequence of its “uncaring” policies, but could be overcome by a national “cooperative” approach.³⁹

His critique extended to the government’s stance on Europe. Before 1986 the EEC had played little role in Irish economic development apart from CAP transfers and modest social funding, Haughey describing it in 1985 as “quite frankly irrelevant” to an Irish recovery. He criticised the “one-sided” Single European Act and Commissioner Sutherland’s opposition to Delors’ balancing of regional/social policy proposals: “Unless there is ... meaningful regional policy one can forget about economic integration and monetary union ... Economic integration without a proper redistributive mechanism is nineteenth century

³⁸ “We will re-establish ...”, ‘Presidential Address to Árd Fheis’, 31/03/84, in Mansergh ed. 1986: 824; “insensitive handling”, Dáil 19/12/85; “revive the NU”, Dáil 06/02/85

³⁹ “If the planning process ...”, speech to Dublin Society of Chartered Accountants, in Mansergh ed. 1986: 205-6; “Way Forward” combined plan, Dáil 01/02/84 and 14/12/84; “monetarist”, “New Right”, “Thatcherism” etc., in Dáil 10/10/84 and ‘Presidential Address Árd Fheis’, 30/03/85

economics". EEC policies played far from the central role in Haughey's social partnership plans critics have claimed. His view of Europe was epitomised by his reply to Schmidt in 1981 that the EEC could not aspire to shape international economic affairs as long as it had no economic strategy of its own.⁴⁰

Many union officials distrusted Haughey for his connections with moneyed interests and his conservative stance on social reforms such as divorce. But he saw himself as a sophisticated and subtle statesman and felt insulted by the Leftist narrative – such as in *The Boss*, a book by two *Irish Times* journalists - portraying him as a venal, corrupt and even thuggish leader. He was similarly outraged when a faux pas by his PR "handler", P.J. Mara, who jokingly used the fascist slogan "*Una Duce, una voce!*" to describe his leadership style, was widely reported. Union leaders were reluctant to engage with him as his days as party leader, at least until 1984, seemed numbered, with even the *Irish Press* publishing a premature political obituary of him. The chaos of the final months of his 1982 government, MacSharry's expenditure cuts and the collapse of the National Understanding had strengthened anti-agreement sentiment and sewn union distrust of Fianna Fáil, including, critically, on the ITGWU Executive.⁴¹

Nevertheless, Haughey had maintained contact with leaders such as Carroll and Flynn and when ICTU published *Confronting the Jobs Crisis*, he "endorsed fully" its objectives and expressed his party's "broad agreement with the thinking of Congress", demurring only over its reliance on state enterprise which had also been Ó hUiginn's sole criticism of it to FitzGerald. Haughey proposed that ICTU meet Fianna Fáil's full front bench to discuss it, something Congress had turned down in 1981 as contrary to ICTU practice, but this time accepted. At the meeting Haughey praised "the broad economic policy outlined in their valuable document" and its compatibility with Fianna Fáil strategy, convincing key union leaders they "could do business" with him.⁴²

Haughey's social partnership idea gained little traction with the press or electorate, or even noticeably within Fianna Fáil. But he was attentive to its

⁴⁰ Haughey on SEA, Dáil 26/06/85; "critics have claimed", Foster 1988, 2007; 'Confidential. Meeting between Taoiseach and Chancellor Schmidt in Bonn on 31st March 1981', NAI: TAOIS/2012/90/926

⁴¹ View as "statesman", Cronin 1997; irritation at "Left" portrayal, Ryle Dwyer 1996; outraged at Mara, RTÉ 2016; "obituary", *Irish Press*, 21/01/83; ITGWU distrust, 'The Way Forward to what?' *Liberty*, Nov. 1982

⁴² Haughey in Dáil 10/10/84; Secretary [Ó hUiginn] to FitzGerald, 28.11.1984, 'Meeting with ICTU', DTA: OHP; Hastings et al 2007: 33; ICTU EC meeting 10.12.1981

electoral aspect and in 1983 established a task force to address Fianna Fáil's failing support in Dublin working class areas where the Workers' Party was making inroads. "Operation Dublin", led by Brian Lenihan, re-focused policy to meet working class concerns and revived local Cumainn. Haughey also established a "Committee on Trade Union Affairs" of TDs and party trade unionists such as Noreen Green and Tony McKenna, to "position" the party in tackling the "recession". This was unsurprising given that many trade unionists were Fianna Fáil voters. The committee was chaired by Bertie Ahern and Michael Woods, the party's labour and welfare spokesmen, and produced positions on issues of union concern such as PRSI reform and industrial training. But it didn't pander to union demands, with Ahern, despite the on-going union disputes with government, stressing that on public pay "our policy ... would likely include only cost-of-living increases and not payment of special awards".⁴³

Haughey also used the committee to educate his own front bench. At his direction it was "lectured to" on partnership in Europe and sent on a "study visit" to Austria to examine its "model of social partnership". This, Ahern recalled, was because of Haughey's view that it was why Austria - an often referenced model "small open economy" with a "consensus approach" - had risen "from the ashes of a world war to rank well above the OECD average on most indices". Ahern was also instructed to build relations with union leaders and developed a rapport particularly with Attley of the FWUI, in which he himself had once served, as well as Phil Flynn of LGPSU and Christy Kirwan of ITGWU. He organised the front bench meeting with ICTU on its Jobs Plan and drafted the party's response endorsing it. But it was Haughey himself who dominated that meeting, and who also "lunched regularly" with ITGWU President John Carroll, an austere and aloof but authoritative figure in many ways resembling him in both background and character. It was clear that, whatever the role of Ahern or others, under a Fianna Fáil government tripartite strategy would be driven from the top.⁴⁴

Just before the NESC report was published and with an election imminent, Attley made a widely publicised call for a return to the "pioneering spirit of the

⁴³ On 'Operation Dublin', *New Hibernia*, Oct. 1984 and UCD-A: P176/382-3; on trade union committee, Ahern 2009: 79-82; Ahern quote at Committee meeting, 12/12/1985, UCD-A: P176/393

⁴⁴ Ahern and Austria, Ahern 2009: 92, also Interview with Ahern; and union leaders, Ahern 2009: 92-3, Interviews with Flynn, Cassells; on Carroll-Haughey lunches, Hastings et al 2007: 31; "hammer out consensus", Interview with Ó hUiginn

1960s”, lauding the “virtuous circle” of the “Nordic model” and advocating a “national plan for economic recovery” agreed between government and social partners. There was little doubt to whom the speech was addressed, and Haughey responded by welcoming Attley’s proposal, stating that a social partnership as in “Austria, Norway and Sweden” would be “an important element” in Fianna Fáil’s programme for recovery”. The ire of the Labour Party with ICTU thus had some basis, as ICTU’s preference for the election outcome was now unambiguous. As a final straw, when government dismissed the NESC report, Haughey turned on it for its selective treatment of it, saying “reduced public spending alone will not revive the economy” and emphasising the report’s integrated strategy and the centrality to it of involving the social partners.⁴⁵

Despite his friendships with individual entrepreneurs, Haughey’s relations with business organisations were frosty, a majority of the CII board supporting FitzGerald and hostile to a return to Fianna Fáil government. But he contacted them just before the NESC report appeared, and over an extraordinary three days of meetings with CII officials discussed their policy proposals, incorporating many into his strategy. He also urged their support for social partnership, suggesting a meeting between his front bench and the full CII board. This occurred on 8 January 1987, shortly before the budget that brought down the FitzGerald government. The CII leaders cautiously agreed to engage with his “consensus” strategy. While both CII and FUE continued to espouse monetary orthodoxy, they publicly endorsed the NESC tripartite plan on industrial policy.⁴⁶

Haughey had set his hopes, and reputation, on achieving a complex, high-risk partnership framework for his recovery strategy, which he was intent on despite media and public scepticism and divided councils within business and unions.

Partnership on principle: Fianna Fáil in the 1987 election

Though long certain, Labour ministers resigned on 20 January 1987, unwilling to accept Bruton’s final budget, which as well as further public service cuts and tax increases, continued the public pay freeze and advocated private sector pay

⁴⁵ Hastings et al 2007: 34; FUE *Bulletin* Nov. 1986; IT 18/10/86 and IT, IP 14/11/86; Attley speech in *Liberty*, Nov. 1986 and FUE *Bulletin* Nov. 1986; Haughey, speech to Fianna Fáil, Athlone, 17/10/86, in Mansergh (ed.) 1986: 1160-61

⁴⁶ Haughey-CII meetings, Power 2009: 60-2; FUE-CII positions, FUE *Bulletin*, Feb. 1987, Power 2009: 61

being suppressed below inflation. Spring adopted an “independent programme”, with “opposition to cuts” central to Labour’s manifesto, along with “social partnership”. This was formulaic and unconvincing, inserted by Quinn on the urging of Attley and Carroll, who had impressed on him Haughey’s intention to return to tripartitism and their own intention to cooperate fully with it. Despite a Labour-FG coalition being off the cards, and a campaign overshadowed by economic crisis, media reporting concentrated on the issue of Haughey’s “fitness” to govern and provided soft support for Des O’Malley’s new PD party. Haughey had long lost the outlet critical to the narrative of previous Fianna Fáil leaders, *The Irish Press*, and his partnership plan barely figured in the election coverage.⁴⁷

Fianna Fáil’s manifesto, *Programme for National Recovery*, accepted the “principles” of the NESC report and listed a host of industrial and infrastructure projects along with the economic/fiscal strategy of *The Way Forward*. Employers and unions promoted opposing forms of tripartitism, with ICTU circulating 10,000 copies of its partnership-orientated *Plan for Work* while employers favoured a common industrial strategy only. Haughey’s manifesto straddled both, down-playing the pay aspect but tilting towards ICTU: “The economic situation requires us to take a major step forward ... to work together towards national goals” through “a forum in which the social partners can negotiate the terms of a national plan based on agreed medium-term objectives”.⁴⁸

Haughey gained a surprising supporter during the campaign. Following a private meeting at Kinsealy, new *Irish Times* editor Conor Brady, a long-standing Fine Gael supporter, was so impressed by Haughey’s economic/partnership strategy that he editorialised favourably on it. This met with “outrage” from *Irish Times* staff, mostly hostile to Haughey and inclined to the PDs. Brady praised the plan’s coherence and noted IDA warnings that FDI flows were contracting because of a perception that Ireland lacked a growth strategy. While falling short of urging readers to vote accordingly, as that paper had never advocated support for Fianna Fáil, it was a substantial endorsement from a surprising source, though no doubt informed by the near certainty of a Haughey victory.⁴⁹

⁴⁷ Bruton statement, *Irish Times* 21/01/87; Spring position, *Irish Times* 21 and 26.01.1987; “impress on Spring”, Interview with Attley;

⁴⁸ ICTU AR 1987: 194; *FUE Bulletin*, Mar. 1987; *IT* 13/03/1987; *IRN Report*, Mar. 1987; Fianna Fáil 1987

⁴⁹ Brown, T. 2015: 339-40; Brady 2005; *Irish Times*, editorial, 02/03/87

Chapter 6:

Long haul: the dramatic road to the “PNR”, 1987

Government choice and policy positioning

Haughey was elected Taoiseach on 10 March on the casting vote of the Ceann Comhairle and with Tony Gregory’s abstention, forming a minority government in a context where neither the mooted FG/PD coalition nor any other alternative commanded a majority. In his acceptance speech, Haughey declared his intention to meet with the NESC, the “principles” of whose report - a “consensus ... among the principal economic and social partners” - was “consistent with our view of what is required”. But to public dismay, he then announced his priority as radical expenditure cuts, continuing those of Bruton’s defeated budget, including its public pay decree. Introducing a drastic budget on 31 March, MacSharry nevertheless repeated that NESC’s “strategy and principles” would “form the basis for the Government’s general approach”. It is claimed by Conor Lenihan that MacSharry insisted to Haughey on budget autonomy (and, less likely, that Brian Lenihan likewise did on foreign affairs), but this had long been Haughey’s perspective anyway. MacSharry, it might be noted, was an insider on Haughey’s small team and had played an identical role in his 1982 government strategy.¹

Minority government had advantages for a strategy of financial retrenchment. As Fine Gael and the PDs shared this principle, and FitzGerald, and later Dukes, committed to support Haughey in continuing their budget policy, clientelist pressures could be kept at bay. Haughey praised FitzGerald for the difficult decisions he had taken when, as he put it, the state had few other options. But he planned achieving monetary stabilisation and growth through an alternative route that eschewed “Thatcherism” in favour of a social “consensus” strategy.

Given Haughey’s repeated commitment to such a course, it is striking that while he would engage with the “social partners” from the start, it would be a year before an agreed programme would be in place.

¹ MacSharry in Dáil 31/03/1987; insisted to Haughey, Lenihan 2015; “praised FitzGerald”, Dáil 10/03/87

First step: Haughey engages the social partners

Haughey delayed his announced meeting with the NESC. Before the change of government, Ó hUiginn had had the NESC agree to invite the “incoming Taoiseach” to meet it to discuss its report and seek a strategic role “elaborating” the “National Plan”. Haughey on becoming Taoiseach had accepted the invitation and a meeting was initially set for April. But, following discussions with Cassells, Ó hUiginn’s advised a delay to accommodate ICTU. Congress feared talks in a tripartite setting would put it “at a disadvantage since it can be assumed the other parties would form a united front” against it, and also sought an agreement structure determined by ICTU and government before involving other partners.²

Congress proved equally accommodating to government. Despite public outcry over the budget, ICTU only mildly criticised it, expressing its “extreme disappointment” at the “savage cuts”, but the same day wrote to Haughey seeking talks “on all aspects of the economic situation ... to devise a national plan for growth and economic recovery” along NESC lines. Haughey of course agreed, publicly down-playing it in the Dáil as routine “consultation with the social partners at least on economic and social objectives”. But he warned that without pay restraint “major lay-offs” in the public service were inevitable. ICTU put down a marker by insisting both public and private sector pay form “an integral part of an agreed national programme of economic and social priorities”.³

Ó hUiginn agreed with Congress on principles and structures for negotiations before engaging other partners. ICTU insisted that any “negotiated national plan” be driven centrally from the Department of the Taoiseach to ensure control from the top and that it adopt NESC’s “four-part” strategy approach with integrated macro-economic, industrial, tax and social policies, from which “pay questions cannot be divorced”. Bilateral “working parties” chaired by the Department and involving, at a minimum, secretary-level officials should develop the detail and a

² NESC Council Meetings 23.02, and 24.04.87, also Council Meeting 24.04.87 ‘Note from Secretariat’; Secretary [Ó hUigin] to Taoiseach, 13/04/1987, ‘Subject: Meeting with ICTU’, DTA-OHP; Cassells, ‘Brief for General Purposes Committee re Discussions with Taoiseach’, 13/04/87, ICTU Archive: GS-PA-1a

³ ‘Budget Statement’, 01/04/87, in ICTU *Annual Report* 1987: 206; Carroll (Pres. ICTU) to Taoiseach 01.04.87, ICTU Archive: GS-PA-1a; Haughey in Dáil 07 and 08/04/1987; ‘Leading trade unionist urges new approach on public pay’, *IT* 11/04/1987

“Ministerial-ICTU Working Group” deal with pay and agree the final plan. ICTU’s insistence on this structure was because of its experience of senior civil servants in 1980-82 as uncooperative and given to “blocking tactics”, and their “general contempt for unions” during the FitzGerald years. It was a perception Haughey’s circle shared. When Ahern, now Minister for Labour, told officials of Haughey’s plans for social partnership, they advised him to “stay away from it”.⁴

Haughey himself faced considerable resistance from senior officials who had resented his centralisation of power in the Taoiseach’s Department in 1980-82. Enda Delaney, a new recruit to Foreign Affairs, described how, on taking up his post in early 1987 he encountered “an incendiary group of embittered senior officials ... plotting against [Haughey]” and “drawing up ‘Documents of Resistance’”. They resented his moving responsibility for European and Northern policy from their Department to Taoiseach’s, as he had also done with socio-economic policy in 1981. Haughey would continue to face resistance from civil service circles, necessitating a tight central government group.⁵

Internally, Cassells, who spoke regularly with Ó hUiginn, recommended that in the talks ICTU “recognise and accept the necessity for pay restraint/moderation given the difficult competitive position of the private sector and the acute Exchequer financial problems”. This would “persuade Government to engage in meaningful discussions on public service pay”. A period of budget autonomy followed by a 2-year agreement would “help get [us] out from under” the budget pay deferral and build a positive framework for future pay development.⁶

Government also had a strategy, part of which, despite Haughey understating it in the Dáil, was engaging the social partners early to avoid the mistakes of 1982. In preparing for Haughey’s meeting with ICTU, Ó hUiginn advised him to commit to the NESC principles and structures Congress sought but stress the centrality of NESC’s debt/GNP formula, which was “so realistic in its approach to the public finances”, its prioritising of the exporting and FDI sectors as the “locomotives of growth”, and its tax/pay formula. “It is clear that the union

⁴ H/w note: ‘President of Congress and reps. of EC’ [for mtg. 15/04], and “Brief for General Purposes Committee re Discussions with Taoiseach”, 13/04/87, ICTU Archive: GS-PA-1a; ‘Joint Government-ICTU Press Statement’, 15.04.1987, GIS: D/Taoiseach; Ahern in Hastings et al 2007: 22-3, 33-4 and Interview with Bertie Ahern

⁵ Delaney (2001), *Accidental Diplomat*: 1-3

⁶ ‘Brief for General Purposes Committee. Discussions with Taoiseach’, 13/04/87, ICTU Archive: GS-PA-1a

leaders want to be involved ... A Plan will take them off a number of hooks, particularly the evolution of public sector pay over the next few years". Tax was also the key to involving business interests. The "prospects of such a consensus Plan, given the NESC basis, are excellent" and "would be a great achievement".⁷

Ó hUiginn also urged Haughey to accept the "institutional mechanisms" ICTU proposed for the talks - the policy "working parties" chaired by his Department and only secretary-level civil service involvement, as well as the "Ministerial-ICTU Working Group", chaired by Haughey himself. Just before the meeting, Cassells told Ó hUiginn that ICTU's main concern was how serious Haughey was regarding the "integrated" four-part NESC strategy, while Haughey told him his concern was how serious ICTU was on debt reduction. Two intense meetings followed on 15 and 29 April clarifying these issues, at which Congress leaders stressed their commitment to reducing the debt and Haughey committed to the NESC framework and the "institutional arrangements" ICTU proposed.⁸

It was clear from these meetings that the agreement would not be a 1970s-style "redistributive" one, but instead involve monetary retrenchment and industrial growth on the basis of the NESC plan, as well as a trade-off of pay restraint for job creation, tax and social reform. The key moment came when, as Cassells had intimated to ICTU beforehand, Haughey said they would have to "envisage [an initial] period of time" to "enable the Exchequer finances to be put in order" and the EBR "reduced to a sustainable level". A Programme could then be ready for agreeing in September. While ICTU agreed to this, Carroll warned that publicly ICTU would have to continue opposing health cuts and the retention of Bruton's public pay freeze. But Haughey agreed to try to get employers to include a national private sector pay deal within the agreement, and the meeting agreed a target date of September. Ó hUiginn was confident that with the ICTU committed, other partners would have little other option but to follow.⁹

⁷ Secretary [Ó hUigin] to Taoiseach, 13/04/1987, 'Subject: Meeting with ICTU', DTA-OHP

⁸ ICTU strategy, 'Brief for General Purposes Committee re Discussions with Taoiseach', 13/04/87, ICTU Archive: GS-PA-1a; Ó hUiginn advice, Secretary [Ó hUigin] to Taoiseach, 28/04/1987, 'Government/ICTU' and 'Mechanisms for Implementing the Programme for National Recovery', DTA-OHP; on NESC structure and debt, interview with Pádraig Ó hUiginn and Hastings et al 2007: 36; on meeting outcomes, Cassells to ICTU EC, 'Discussions with the Taoiseach on a National Plan for Growth and Economic Recovery. Report of Meeting on 29 April 1987', ICTU Archive: GS-PA-1a and 'Joint Government/ICTU Press Statement', 29/04/1987, GIS: D/Taoiseach

⁹ "enable the Exchequer", 'Statement by Taoiseach at the meeting with ICTU', 15.04.1987, ICTU Archive: GS-PA-1a; discussion, Cassells to EC, 'Discussions with the Taoiseach on a National Plan for Growth and

Having prioritised agreeing a framework with the unions, Haughey now met the other partners to bring them into the process, starting with the construction industry, the CIF, on 30 April. Though opposed to national agreements and minimum wage setting, CIF more than any sector was dependent on government capital programmes, a point Haughey exploited. He chided their infrastructure proposals as “not ambitious enough” and they quickly committed to engage with his more audacious plan. A joint CIF-Departmental “working party” was established, though with the Department of the Environment rather than the Taoiseach as was the case with the privileged ICTU.¹⁰

On 7 May Haughey met farming groups. Given his history of conflict with the IFA, he had ensured a wider grouping was involved, including dairy producers (ICMSA), the coop industries (ICOS) and, to the delight of Agriculture Minister Walsh, the “progressive” young commercial farmers of Macra na Féirme. IFA had welcomed the NESC report, its President, Joe Rea, praising its expenditure targets and food industry ambitions. He had called on all parties to “put aside” their antipathy to Haughey and support him in implementing it. But Rea now pressed Haughey for a “strong line on [the] EEC” to counter threats to CAP and presented a list of IFA grant-seeking demands, which he described as the IFA’s “development proposals”. Before the meeting, officials bemoaned the poor economic performance of farming and the IFA’s superficial endorsement of the NESC report: “This line, set out in the forward to the IFA proposals”, Finance noted, “is in contrast to the policy proposals which follow”, which would involve “substantial outlay” by the exchequer and “must be rejected”.¹¹

The IFA pressed their shopping list on Haughey, which he deftly evaded by welcoming their endorsement of the NESC report with its strategy for commercialising farming. He re-stated his goal of transforming agriculture into an entrepreneurial, export-led and consumer-oriented sector by up-grading product quality, farmer training and marketing. He side-stepped demands for

Economic Recovery. Report of Meeting on 29 April 1987, ICTU Archive: GS-PA-1a; concessions and private sector pay, Secretary [Ó hUigin] to Taoiseach, 13/04/1987, ‘Meeting with ICTU’, DTA-OHP

¹⁰ Ó hUiginn to Taoiseach, 30/04/87, ‘Meeting with CIF’, DTA: OHP

¹¹ ‘Meeting with ICMSA/ICOS 7th May 1987’, Fergus O’Farrell, chief executive, Macra na Féirme to Taoiseach, 16/04/87, Travers, D/Taoiseach, hand-written note, ‘farm bodies’, 01/05/87, DTA: S25861-A; ‘Rea calls for decisive rule’, *IT* 02/03/87; IFA (1987); Joe Rea to ‘Mr. Haughey’, 02/03/87, D/Taoiseach, ‘Meeting with ICMSA/ICOS 7th May 1987’, F. Coleman, D/Finance to P O’Sullivan, D/Taoiseach, 06/05/87: ‘Brief for meeting of Taoiseach with IFA, 7 May 1987’, DTA: S25861A

wider grant schemes by suggesting the IFA pursue them and other ideas in a joint Working Party with the Department of Agriculture, to which they agreed.¹²

Finally he met business and employer leaders on 14 May. They were, as ever, divided on priorities. While what Ahern called the “big boys” of the CII were eager to progress proposals they had discussed with Haughey before the election, the “small boys” of the FUE remained truculent. They had endorsed NESC strategy but opposed any return to “National Understandings”, as they again repeated at the meeting. Ó hUiginn advised Haughey to focus on industrial policy and leave pay to be dealt with later at “Ministerial CII-FUE Group level”.¹³

Although the FUE’s insistence on excluding pay was a challenge for Haughey, he was not overly perturbed despite his promise to ICTU to try to ensure its inclusion. Finance, never enthusiasts for “Understandings”, had advised him the differences between the ICTU and FUE on pay made “the achievement of a central deal well nigh impossible”, and typically recommended that he control public pay along the lines of the FitzGerald government and hope this set the pace for the private sector. But it was also a growing public perception, with the *IRN* believing an agreement on industrial policy “without a national *pay* deal” the most likely outcome. For Haughey the pay stand-off provided more time for government planning without having to confront the issue yet. He told the Dáil the talks underway were on a “medium-term programme based on the principles recommended by NESC” and should not be “confused” with pay negotiations. Government would “adhere to [the] strategy of the budget”, including on pay, and budget policy would remain “a matter for the Government”.¹⁴

Before meeting the FUE/CII, Haughey had agreed to accept employers’ views on pay while encouraging them to engage with the recovery plan, with pay to be “revisited”. At the meeting they confirmed their support for the NESC plan and agreed to work with government on “industrial development strategy, industrial promotion, productive infrastructure, taxation and industrial input costs” to

¹² “Taoiseach’s meeting with IFA on Monday 27 April 1987”, Ó hUiginn to Taoiseach, 06/05/87, re ‘Meeting with IFA, ICMSA/ Macra na Féirme’, ‘Statement by the Taoiseach at meeting with Presidents and representatives of the IFA, ICMSA, ICOS and Macra na Féirme on 7 May 1987’, DTA: S25861-A; IFA, *National Recovery. The Role of Agriculture and Food*

¹³ “big boys”, Ahern in McGinley 1997; *FUE Bulletin*, Feb. 1987; ‘Search for Consensus’ (editorial), *IT* 13/03/87; FUE ‘Press Release’, 15/04/87; Ó hUiginn to Haughey. ‘CII/FUE Mtg.’, 14/05/87, DTA: S25875

¹⁴ D/Finance. ‘Briefings for Taoiseach’s meeting with the CII/FUE’, 26/04/87, DTA: S25875; *IRN Report* 21/05/87; Haughey in Dáil 28/04/1987

make industry “competitive internationally”. Three CII-FUE “working parties” were established with the Department of I&C, on “Employment-Development Measures”, “Social Policy” and “Environment for Enterprise”. On industrial policy, CII was very much in the driving seat on the employer/business side.¹⁵

Blunt talk: Haughey’s three-stage strategy

Haughey had a clear three-stage monetary-industrial-partnership plan. Engaging the “partners” in protracted planning gave him space to implement radical monetary adjustment while integrating the major social forces by involving them in the detail of what could be committed to. He avoided repeating his mistakes of 1982 by making it clear to the unions that this was how he would proceed, but also promising to achieve an agreed integrated recovery plan by September. What they did not know was his determination also to pre-determine aspects of that plan by proceeding immediately with industrial initiatives.

Haughey would later state the view that real political power rested not in the party or on the backbenches, but in cabinet. An authoritative Taoiseach managing a cabinet united on a clear strategy could marshal the support of backbenchers and party. While geographic factors were unavoidable in forming a government, the key figures must be able for the task. Irish politics were constrained by PR and multi-seat constituencies, exaggerating clientelist influences, but a strong cabinet could overcome these. In a small country, “where you sort of know everyone well”, personalities and connections were vital in strategy building and implementation. Fianna Fáil would unite behind government once convinced it was advancing the national welfare. These were principles he followed in asserting his authority over government in 1987.¹⁶

Haughey first moved to establish his authority over government and his own ministers. He reinstated the Department of the Taoiseach to a commanding role, elevating its Secretary, Ó hUiginn, to the centre of government and investing him with “plenipotentiary powers” to re-organise departments, integrate agencies - particularly the IDA - in the planning process, and ensure ministers’ compliance.

¹⁵ “revisited”, [Ó hUiginn], hand-written note, ‘CII/FUE Mtg. 19/5/87’, DTA: S25875; ‘Joint Government-FUE/CII Statement’, 14/05/87, GIS: D/Taoiseach; ‘Discussions with Social Partners on National Programme for Growth and Economic Recovery’ n.d., DTA: S25281-E; D/Finance: ‘Briefings for Taoiseach’s meeting with the CII/FUE 26/04/87’, DTA: S25875

¹⁶ Interview Haughey, 2005

He formed an inner cabinet of himself, MacSharry and Ahern to work with Ó hUiginn in driving policy. It was largely the same group, strengthened by the union-friendly Ahern, that had produced the *Way Forward* in 1982, a “cabal” he had previously attempted but failed fully to achieve in 1982, and which Ahern and Cowan would later replicate in their governments.¹⁷

The new strategy was driven home to ministers at a meeting on 13 April, the day before Haughey’s first meeting with ICTU. Ó hUiginn circulated a memo synthesising Haughey’s priorities. Monetary autonomy was essential for the first year and ministers were to report, on a monthly basis, their progress in achieving targets and, to relieve interest rate pressures, postpone spending plans. Ministers of state, meanwhile, were to develop “quick practical action on development proposals”, “fleshed out urgently” with the IDA. All such initiatives were to be tailored to fit with a later negotiated social partnership plan and, while kept strictly within current resources, should emphasise their employment potential, a “key input into the discussion on a Plan with the social partners”. The Departments of Education, Labour, Health and Welfare were to develop low-cost reforms reflecting NESC priorities that could be implemented immediately, such as moving from institutional to community care in health, job-friendly school curriculum reforms, social employment initiatives in place of “ephemeral” training, and reforming welfare to benefit “lower-incomes, bring greater equity and reduce costs”. On tax, Finance was to plan for two thirds of workers to move to the standard tax rate over a series of budgets, a key manifesto commitment and “quid pro quo for pay restraint”. On industry, state supports were to be redirected from fixed assets to marketing and modernization, and the Finance Act should include provisions to encourage multinationals to re-invest, as currently “most of them keep their funds off-shore”. McSharry was to prepare a 1988 “budget profile” as a “key to the Plan discussions”, encompassing spending reductions but also making “a start on PAYE tax concessions etc.” to facilitate “social partner agreement to changes”. All measures were to be complete by

¹⁷ Cruinniú Rialtais, 13/03/87, ‘Changes in Governmental Structure’, DTA-OHP; on inner cabinet group, MacSharry and White 2000: 43-5; on the Ahern and Cowan cabinet “cabals”, O’Riain 2014

September, which, Ó hUiginn told Haughey, would put him “in a very strong political position” in securing a partnership deal.¹⁸

Ministers were ordered to report to a meeting with MacSharry by 22 May, after which expenditure decisions by the core cabinet would issue on a weekly basis. Proposals were to involve “radical” cuts, “the elimination or reduction” of programmes, “rooting out overlaps and duplications”, and “the disposal of physical assets that are no longer productively used”. A final programme was to be ready by September for discussion with the “social partners”. Haughey did “not want a series of justifications of the status quo or special pleadings”. This clear if somewhat humiliating message to ministers was deliberately leaked to the media to add further pressure and signal government’s determination.¹⁹

Haughey even acted to slow down the working-party policy process with the social partners, first delaying appointing them. On 21 May Ó hUiginn instructed officials to treat the “working groups” for the moment as purely “exploratory”, gather “costed” proposals for later consideration at “Ministerial-social partner level” but “without prejudice to decisions at that level and clearly subject to budgetary constraints”. The framework for an eventual plan would be the “emerging macro-economic and budgetary scenarios for 1988 and the years beyond, to be agreed by Government on a submission next week by the Minister for Finance”, and then “put to the social partners as the framework”.²⁰

In another move, possibly both to put ICTU on the defensive and deflect opposition criticism of a revived tripartitism, Tánaiste Lenihan told the Dáil that ICTU’s engagement reflected its “agreement” to continuing the previous government’s public pay policy. Government was determined “to get order into the public sector” which was why it had agreed “these working committees” with ICTU, with private sector pay a purely “separate operation”. An alarmed ICTU, who Lenihan had portrayed as hapless collaborators, demanded that Haughey distance himself from Lenihan’s comments, which he promptly but tactfully did in a statement to the Dáil. With ICTU on the defensive over its engagement with

¹⁸ Secretary [Ó hUigin] to Taoiseach, 13/04/1987, ‘Subject: Meeting of Ministers’, DTA-OHP

¹⁹ Taoiseach to all Ministers, 13/05/87, ICTU Archive: GS-PA-1a; on leaks to the press, Bew, Hazelkorn and Patterson 1989 and ‘Bombshell’ (editorial), *IT* 27/05/1987

²⁰ Ó hUiginn to Paddy Mullarkey, D/Finance, 21/05/87 [with h/w note: “letters in similar terms” issued to Secs. of all relevant Departments], DTA: S25281-E

government, the weekly announcements of drastic cuts continued into the summer. They met with growing unrest in the public service, especially health, and opposition in the Dáil, but widespread media approval.²¹

Government thus moved simultaneously on monetary planning and a parallel process of industrial policy initiatives while also engaging the “social partners”. The approach was agreed at an inner cabinet meeting on 27 April, just days after Haughey’s second meeting with ICTU. The cabinet meeting was attended by agency officials, notably Pádraic White of the IDA, and reviewed industrial policy options compiled from various Ministers’ reports by Ó hUiginn’s staff.

The review described the performance of indigenous industry as “disastrous”, its “management, marketing and product development ... poor”, domestic market share down “sharply”, investment down by two thirds since 1980, and employment a third since “we joined the EEC”. Despite 1960s planning, Ireland had failed “in creating strong indigenous companies based on our natural resources” and companies remained “production rather than market led”. Dairy coops, for example, with “large unwieldy boards dominated by production rather than market interests”, were performing poorly commercially. Policies prioritising indigenous industry had to be “called into question” and incentives redirected and “concentrated on fewer firms with high growth potential to the exclusion or benign neglect of many small firms which soak up a good deal of time, effort and resources of the State with little return”. But internationally traded FDI had proved uniquely successful, greatly outperforming domestic industry and providing high quality jobs, linkages to the economy and know-how, and was an “area of growing opportunity suitable to our highly-educated work-force”. “A shift of resources to this area”, it concluded, “is justified”.

To drive the policy shift, state agencies were to be rationalised and supports re-directed to growth sectors on a “company development plan” basis. Supports should shift from fixed assets to marketing, upgrading technology and product

²¹ Lenihan in Dáil debates 21/05/1987; ICTU EC meeting 20/05/87; Nevin to Haughey, 21/05/87, and Nevin to EC members, 05.06.87 ‘ref. 1030’, GS-PA-1a; Haughey’s “tactful” statement in Dáil 27/05/87; “opposition”, in Dáil 04/06/87; “media approval”, *IT* editorials, 27/05, and 04, 26/06/1987

development. International and financial services, and natural-resource based exporting firms with growth potential should be “selected” and assisted.²²

This reflected NESC proposals, though in much starker language, as well as IDA thinking, especially its robust defence of the FDI sector against Telesis’s criticisms. The targets identified revealed Haughey own preferences and Departments were given two weeks to come up with appropriate costed plans.

On 26 May Haughey publicly announced several major projects to proceed immediately, notably the financial services centre (IFSC), expansion of the beef industry, a commercially funded gas pipeline, and initiatives in forestry, horticulture, tourism and maritime policy, again all private-sector driven. By playing down the partnership “working parties” but announcing these initiatives, he was pre-determining the thrust of industrial strategy.²³

Government also proceeded with a policy to radically commercialise the farming sector. Responsibility for the food industry was moved from Industry and Commerce to an expanded Department of “Agriculture and Food”, which was henceforth to be industry- rather than producer-driven, and a horticultural marketing board, Bord Glas, was established. A plan for the food industry was produced by IDA in its first ever collaboration with that Department.²⁴

Broad base: mobilising social partner input

Having achieved budgetary breathing space, and with the MacSharry Committee driving expenditure cuts and the *Way Forward* team industrial strategy, Haughey returned to the talks with the social partners.

Given the rolling cuts, ICTU faced growing internal dissent. Disputes erupted in the ESB, the new training agency FÁS, CIÉ and other public bodies, and a campaign of non-compliance was launched by an “Alliance of Health Service Unions” led by ambitious ITGWU official, Pat Rabbitte. Congress found itself managing these revolts while facing a government determined on a continued suspension of special awards, and public pay guidelines stipulating cost-of-living

²² Ó hUiginn to Haughey, n.d., with memo by John Travers, ‘Presentation to Taoiseach and Ministers for Finance and Labour on April 27th on Industrial Policy’, DTA-OHP

²³ Haughey in Dáil debates 24 and /05/1987; Press Release, ‘Office of the Taoiseach’ [no title – announcing initiatives], 26/04/1987, GIS: D/Taoiseach

²⁴ “first ever”, Joe Walsh, Minister for Agriculture, to Taoiseach 16/04/87, and ‘Draft of Government Minutes’, 23.4.87, ‘Bord Glas’, in DTA: OHP; IDA Ireland (1987)

increases only, “tailored to EBR goals”. Ó hUiginn also insisted to ICTU that a campaign for non-payment of hospital charges be abandoned: “The authority of the Dáil cannot be flaunted”. Congress mounted token protests, refusing for example to nominate to the new FÁS board, but drew back from Rabbitte’s campaign. Ó hUiginn later suggested to Haughey that it was now time for a conciliatory move: ICTU could not be expected to “buy a pig-in-the-poke”.²⁵

Haughey revived momentum with a typical intervention. He approached Phil Flynn, LGPSU general secretary and, as observers noted, a republican if of a different stripe, proposing he address the union’s annual conference dinner. This was unprecedented, for while ministerial addresses to the union were common, this would be a first by a Taoiseach. Flynn convinced his executive, despite their anger over service cuts, to invite him. McLoone recalls how Health Minister Rory O’Hanlon had been greeted with “stony silence” at the union’s health division and Environment Minister Pádraig Flynn “fared little better” with its local authority division, but “it was different with Haughey”. Flynn in his conference speech urged the union to hold to its commitment to a national plan, mentioning “other successful small economies where a consensus approach ... [had] resulted in standards of living far higher than we have here”. ICTU, he said, would make “any fair compromises ... to solve Ireland’s economic problems”. Haughey in his after-dinner speech defended his strategy but also promised an agreement beneficial to public servants as “an essential element of the programme”. He was greeted by a standing ovation and delegates queuing for his autograph.²⁶

The ICTU remained wary, not yet convinced of Haughey’s bona fides, though also fearing that a budget defeat would precipitate an election that could return a government less favourable to its strategy. It agreed to a first meeting of the “Ministerial-ICTU Working Group” on 9 June to discuss the “National Plan” and public/private pay. The policy “working parties” agreed in April also finally began to meet. Ó hUiginn, as agreed, appointed “secretary level” and other senior civil servants while Congress nominated six to eight of its Executive members to each group, ensuring the two drivers of its strategy, Attley and Flynn, were on all

²⁵ ‘dissent’, ‘Civil Service Union protests at powers of new Bill’ and ‘Unions to meet three Ministers on health crisis’, *Irish Times* 13/06/87, and ICTU EC mtg. 17/06/87; also Nevin to Taoiseach, 08/06/87, ICTU Archive: GS-PA-1a; Ó hUiginn to Taoiseach, 29/07/87, ‘Subject: Meeting with ICTU’, DTA: OHP

²⁶ Interviews with Phil Flynn and Peter McLoone; “observers noted”, Hastings et al 2007: 37; Flynn, ‘Speech to LGPSU’, 15/05/87’, Flynn Papers; Haughey in *IRN Report* 21/05/87; Hastings et al 2007: 37

three, along with officials Nevin and Cassells. Representatives of anti-agreement unions, hostile to engaging, were conspicuous by their absence. The meeting with Haughey was short and formal but, critically, he repeated his wish for an agreement which “saw jobs, pay, tax reform and social services as interlinked”.²⁷

ICTU mobilised all its resources to flesh out proposals for a two-year budget-linked plan. Years of ICTU policies were “ransacked” for useful material, and priority objectives set. It would seek a statutory minimum wage and “trade offs between jobs and pay ‘moderation’” and pay increases and tax reform. A “40-Point Jobs Plan” was produced, adopting NESC’s private-sector drivers while stressing the potential of semi-states. ICTU opposed privatisation on principle, but sought improved welfare benefits, reform of employment services from a punitive to an enabling system, and reduced working hours. Ó hUiginn told Haughey: “basically they are prepared to be moderate on pay in return for measures on jobs and tax reform”. They did not expect “firm responses” now but only that the process get underway and that the arbitrator be re-appointed.²⁸

Initial meetings of the policy groups consisted of ICTU representatives - mostly Flynn, Cassells and Attley - presenting proposals, with officials, on Ó hUiginn’s instructions, “noting” these without committing. At early meetings, as ICTU noted, secondary non-cost-increasing demands were met, such as supports for workers’ cooperatives and advisory forums on worker participation and industrial relations reform. Addressing the first meeting of the government-ICTU industry policy group on 11 June, Haughey departed from his script to emphasise, Lemass-like, how the “viability of the economy [was] at stake” and the plan would be a “historic” departure. “Consensus on development measures” would produce “an improvement in morale”, the “key to success”. This was a

²⁷ ICTU, Special Mtg of EC, 02/06/87, ‘Note on Agenda for Pay Talks – the Congress Perspective, 27 May 1987’, ICTU Archive: GS-PA-1a; ICTU EC meeting 29/05/87, Item 1260; Nevin to EC members: 05.06.87, ‘ref 1030’ and ‘Discussions with Taoiseach on National Plan’, ICTU Archive: GS-PA-1a; ‘Joint Government-ICTU Statement’, 09/06/87, GIS: D/Taoiseach

²⁸ Interview with Cassells and following material in ICTU Archive GS-PA-1a: ‘Jobs and Development Measures: Discussions on a Programme for National Recovery’, June 1987; ‘Tax Reform. Discussions’, Construction Industry Committee: *A Programme for Construction. A 40-Point Plan for the Building Industry*, ICTU Press Release. 18/06/87. ‘ICTU submits proposals for the Health Services’, ‘Social Policy’, 12/06/87, ‘Social Policy’, 12/06/87; D. Nevin, ‘Meetings of Congress Committees etc. in June 1987 involving Executive Council members’, 28/05/87, [Cassells], ‘Special Meeting of Executive Council 02/06/87: Note on Agenda for Pay Talks – the Congress Perspective, 27 May 1987’, Nevin, ‘Briefing Note for Meeting with the Taoiseach, 9 June 1987’, 09/06/87 ICTU Press Release, ‘National Talks with the Government - ICTU Proposals for a Programme for National Recovery’, 09/06/87, ‘ICTU 40-Point Plan on Jobs’, Ó hUiginn to Haughey, cc. P. Teehan, ‘Re: ICTU Meeting’, 08/06/87, DTA-OHP

point he often stressed, including privately to the *Irish Times* editor and to Phil Flynn: “the great merit of what we’re trying to do ... is to instil confidence in the economy ..., the essential ingredient ... to turn [it] around”.²⁹

On the same day, 11 June, Haughey also finally met and addressed the NESC, making a significant proposal. Introducing the NESC report, Ó hUiginn said council requested a reversal of the previous government’s marginalisation of the body and a new strategic role for it. Haughey undertook to hold to the four-part NESC strategy, abolish ministers’ right to seek studies from the council, and to restore it to a central role in “elaborating” the “Recovery Plan”. He then proposed the council undertake an in-depth “strategic” study on “Ireland and the EEC” to shape government strategy. Although the EEC had played only a marginal role in Irish recovery and partnership policy, Haughey expected this to change with the Single Market. Ó hUiginn had already drafted a brief for the study and the council eagerly agreed to pursue it, Ó hUiginn describing it as a key national-strategic task. Following the meeting, Ó hUiginn suspended all work on subordinate projects to concentrate NESC’s energies on the EEC study, which would take two years to complete but play a significant role in Irish EC strategy.³⁰

In a statement two weeks later, Haughey emphasised “the whole tradition of Fianna Fáil Governments back to the early thirties” of “active intervention to promote economic and social development in accordance with the resources available”. This would continue, with a “realistic consensus with the social partners” “one of the most important endeavours of this Government”.³¹

This statement came days before ICTU’s annual conference where the leadership faced a swathe of motions denouncing health cuts and national bargaining. The Health Service Alliance in particular had mobilised anti-government sentiment which ICTU sought to assuage by presenting their complaints to government. But anti-talks sentiment had largely shrunk to

²⁹ J. Mooney, D/Fin., to J. Travers D/Taoiseach, 12/05/87, inc. financial briefing on ICTU proposals, DTA: S25875; ICTU EC mtg. 17/6/87; Haughey, in h/w note, “First mtg. Working Party on Industry/Devpt.” n.d., ICTU Archive: GS-PA-1a; *Irish Times*, Brady 2005: 8-9, and Flynn in Hastings et al. 2007: 31

³⁰ ‘Special Meeting of the Council with Taoiseach and Minister for Finance (Minutes),’ 11/06/87, ‘Presentation by Chairman on Strategy for Development,’ 11.06.87, ‘Ireland and the EEC. Request from the Taoiseach.’ Confidential. 11/06/87, NESC Archive: Box 3b; ‘Address by Taoiseach, Mr. Charles J. Haughey, TD, to National Economic and Social Council,’ 11.06.1987, GIS: D/ Taoiseach; Minutes of Council Meetings 17/07, 11/09, 16/10, 20/11 and 17/12/1987, ‘Meeting with Minister of the Environment’, 17/07/1987, Council Meeting 16/10/87 - ‘Literature review for EEC Study’, NESC Archive: Box 3b

³¹ Dáil 25/06/1987

what a government official called ICTU's "Dublin problem", i.e. the sectional, militant "Left". Despite ill-tempered debates, a strong speech by Carroll, which the Executive had urged him to give, stressed government's concession of an integrated pay/policy package, and ETUC leader, Matthias Hiinterscheid, passionately backed the ICTU leaders, contrasting the position they had achieved to the retreat from tripartitism elsewhere in Europe and the stalling of "social dialogue" even at EEC level. An ITGWU motion was easily passed, committing ICTU to "pursue its objective of a national economic and social programme by consensus between the disparate elements of society and the Government".³²

Over the summer, the working parties progressed laboriously, with much stalling by the official side. The government-ICTU social policy group met only twice, officials refusing to commit on issues with "budgetary implications" or which disturbed elite vested interests, such as medical consultants' tax-free earnings or drug procurement policy. The tax talks also met with official unwillingness to commit until budget strategy was finalised. At the FUE/CII social policy group, employers pressed for cost relieving demands, while the farming group, which met six times, advanced little beyond IFA's catalogue of cost increasing grants. But by August a range of composite policy documents was nevertheless completed, the most substantial one that on industrial policy.³³

Pay and planning agendas: crafting the agreement

Government's stalling on the policy working groups was of course deliberate, reflecting its pre-emptive strategy. But ICTU by this stage was the least of its worries, as employers, who had gained leverage through the plan's dependence on an agreed pay strategy, suddenly adopted a hard line, publicly declaring their opposition to a central pay agreement and even taking out newspaper advertisements explaining their objections. Their opposition also extended to statutory minimum wages, reduced working hours, proposals for a Labour Relations Commission, paternity leave, reform of occupational pensions and, as

³² ICTU ADC 1987: 5-13, 77-80, 97-129, 150-2; 'ICTU proposals for the Health Services', 18/06/87, ICTU Archive: GS-PA-1a; IT 13/06/87; Interview with anon. D/Taois. official; ICTU EC meeting 17/06/87

³³ 'Discussions with Social Partners on National Programme for Growth and Economic Recovery' n.d., DTA: S25281-E; J. Cantwell, D/Taoiseach to Nevin, ICTU, 15/07/87, encl. summary report of meeting of Working Group on Tax of 6 July 1987, 'Jobs and Development Measures. Discussion of a Programme for Economic Recovery', and 'ICTU/Government Department Officials, Working Group on Jobs and Development Measures: Working Group Summary Paper: Industrial Policy', ICTU Archive: GS-PA-1a

they particularly impressed on Haughey, any “legislation for worker participation at board and below board level in the private sector”.³⁴

Government decided to first secure terms on public pay with ICTU. Before meeting Haughey, ICTU agreed its own objectives as a “gross post-tax” improvement in “real pay” in both public and private sectors, composed of a modest annual 3 per cent increase – below predicted inflation – once it was combined with equivalent compensation in tax delivering a real value increase. To appease employers, ICTU was prepared to accept increases being subject to firms’ competitiveness and “ability to pay”. But in return it would need “firm commitments” from government on job creation, “however modest”, and to the “pay/tax adjustments” starting in January 1988. Such a settlement, it was aware, “would involve a ... scaling down of [members’] expectations”.³⁵

Two meetings with Haughey and his ministers followed. These were taken up dealing with press rumours of a renewed public pay freeze, which Haughey dismissed as “speculative rubbish”, and solo runs by ministers announcing industrial projects, which Haughey undertook to rein in. Government even provided “confidential” revenue accounts for 1987 to demonstrate its bona fides. To secure the “very restrained” settlement ICTU now appeared willing to accept, Haughey, at Ó hUiginn’s urging, and while continuing to stall on detailed commitments, hinted publicly that he would concede substantial tax reform and “firm commitments” on jobs policy. What enabled government accept Congress’s pay proposal was ICTU’s unexpected consent to a voluntary redundancies programme which would “ease” pressure on the public pay bill. Ó hUiginn told Haughey that with inflation falling towards 3 per cent and exports growing, the 1987 public pay bill “used in Finance estimates up to now” was in fact an overestimate, and with staff reductions, “a gain” of £80m could be achieved, sufficient to finance the deal. “We have not”, he added, “told ICTU of this”.³⁶

³⁴ *FUE Bulletin*, June 1987; IT, II, IP 23/07/87; Diarmuid Quirke, Pres. FUE to Taoiseach, 27/07/87, ‘Plan for Economic Recovery’, DTA: S25875

³⁵ dn [= Dan Murphy], ‘Note for Special Group on Pay meeting 10/07/87’, J. Cantwell, D/Taoiseach to Nevin 15/07/87, encl. report of meeting of the Working Group on Tax of 6 July 1987, ‘Confidential. July 1987. Notes for meeting with Taoiseach, 16 July 1987’ 15/07/87, ICTU Archive: GS-PA-1a

³⁶ ‘Joint Statement on Meeting between Government and ICTU’, 16/07/87, GIS: D/Taoiseach; Ó hUiginn to Taoiseach, 29/07/87, ‘Subject: Meeting with ICTU’, DTA: OHP; ICTU h/w notes of meeting of 15/07/87, John Travers, D/Taoiseach to Donal [Nevin], 22/07/87, encl. ‘Receipts into and Issues out of Exchequer between 1/1/87 and 30/6/87’, ICTU Archive: GS-PA-1a; ‘Haughey hints at PAYE cut in return for pay

With movement towards a public pay deal, the development plan was finalised as government gave “firm commitments” on expanding semi-state activities and “social equity” measures. The text of a “Programme for National Recovery” (PNR) was “generally agreed”, encompassing monetary and fiscal goals, indicative job targets, social policy initiatives and a tax/jobs “trade off”. Congress publicly lauded the package, Attley reminding members that unions had no future if they “concentrated purely on wages and conditions ... The only way was to get the country on a growth pattern”. ICTU pressed the Department of the Taoiseach for “continuous meetings” to finalise it, with specific job targets for industrial projects and a pay/tax formula weighted to the lower paid.³⁷

But, as *The Irish Press* reported, talks on the PNR “threatened breakdown” as Congress refused to withdraw its insistence on the private sector being included. Ó hUiginn told Haughey he believed FUE would relent with a bit of pressure, given ICTU’s modest 3 per cent claim, which had to be “very attractive” to employers given the higher settlements emerging at the Labour Court through local bargaining. But, ignoring *Irish Times* editorials describing the emerging consensus as essential to economic “certainty” and to a recovery that avoided the social divisions of “Mrs. Thatcher’s Britain”, FUE’s Central Council again voted against any “return to national understandings”, and rejected minimum wages as topping-up low pay was a matter for welfare policy. But it agreed to postpone a definitive decision until a final Government-ICTU public pay formula emerged.³⁸

Government and ICTU conspired to force the pace with a public sector deal, which they quickly concluded a week before government’s budget plan deadline of 9 October. Congress dropped its demand for a statutory minimum wage. But, as Ó hUiginn informed Haughey, its further terms were also moderate and a key deal on redundancies made the package workable. ICTU would now accept a 2.5 per cent annual increase with matching tax concessions over two years, with a

risers’, *Irish Independent*, 17/07/87; ‘Cabinet offers pay deal for union support’, *IT* 05/08/87; Ó hUiginn to Taoiseach, 26/08/87, DTA: OHP

³⁷ Nevin ‘To: Each member of the Executive Council’, 27/08/87, ref. 4030: ‘Special meeting Executive Council, 2 September’, Cassells ‘To: Each member of the Special Working Group’, 11/09/87, ref. 4030: Next meeting with Taoiseach, 18 Sept.’, ICTU Archive: GS-PA-1a; Attley quoted in *IT* 26/09/87; on ICTU pressure and demands on D/Taoiseach, Travers to Teahon and Sec. [Ó hUiginn], hand written note, 18/09/87, DTA: S25871 and P. O’Sullivan, ‘Meetings with Social Partners, conference room, Department of the Taoiseach, 18-23 September’, 15/09/87, DTA: S25875

³⁸ ‘Pay Deal Talks on Tightrope. Unions’ Challenge to Haughey’, *Irish Press* 26/09/87; Ó hUiginn to Taoiseach, 26/08/87, DTA: OHP; *IT* editorial ‘Tonic for the Troops’ 25/09/87; ‘Special deal for low paid delays economic plan’, *IT* 26/09/87

higher increase of 3 per cent on earnings below £120 p.w. or a flat minimum of £4 p.w. to ensure the over 80,000 public service workers and the quarter of the entire private sector in that category benefited proportionally. As tax improvements in the January budget would serve as a pay increase equivalent, deferring the first pay phase to July 1988 would not represent a pay “freeze”. The arbitrator would be re-instated and “special claims” allowed to be lodged though with awards only payable from July 1989. The cost of the overall pay package would be partly offset by the agreed voluntary redundancy scheme. Both sides agreed recommending that the same terms apply in the private sector except where stressed conditions in individual cases precluded them.³⁹

The Irish Times urged the FUE, which dismissed the deal as geared to appease the public sector, to come on board, editorials (“In the Interests of All”) stressing its centrality to recovery and stressing ICTU’s concessions meeting employer fears on the minimum wage, the “local conditions” clause, and the purely voluntary approach to worker participation. Ó hUiginn was shocked by the FUE’s obstinacy, having believed the low wage/tax formula sufficient for them. He soon learned that indigenous industry, with its predominantly weak-sector employers dominating the FUE, had “more lower-paid workers than we have” and opposed the 3 per cent or £4 flat rate minimum proposal. With little other choice, Haughey set 9 October for launching the programme, setting final meetings with each group for that very morning to try to finalise their acceptance, followed by a press event in the afternoon launching the *Programme for Economic Recovery*.⁴⁰

Government mobilised its leverage to bring employers around. In meetings with the FUE Haughey, as Turlough O’Sullivan recalled, intimated that “if we didn’t go along with it” he would “do the deal [with ICTU] anyway” which would “set the pace for the private sector”. On 7 October the FUE conceded the minimum 3 per cent/ £4 increase though only with strong conditionality. The rate would be a “guideline” only that “could” apply but only “with due regard ... to the economic and commercial circumstances of the particular firm or industry”, subject to “local negotiations and local agreement”, and with “no

³⁹ ‘Cassells warns Government on conditions for pay pact’, *IT* 05/10/87; Ó hUiginn to Taoiseach, 02/10/87, re: [draft] ‘Programme for National Recovery’, DTA: OHP

⁴⁰ *IT* 30/09; Ó hUiginn to Haughey, 02/10/87 ‘Programme for National Recovery’, DTA: OHP; Ó hUiginn to Ministers, 08/10/87, encl. ‘Draft Programme for National Recovery for discussion with social partners on 09/10/87 and ‘Meetings with Social Partners’ 09/10/87, DTA: S25281-E

further cost increasing claims ... except where otherwise agreed at local level". As a senior civil servant noted, this formula represented the "breaking point as far as the FUE were concerned", and "the words 'could' and 'by local negotiations and local agreement' ... the outcome of very many hours of difficult negotiation". Employers achieved other concessions, such as excluding the Labour Court from an "interpretative" role, and the clauses on annual leave, part-time workers and working hours also all subject to "local agreement and practice". Industrial relations reform, worker participation and parental leave were left unspecific, to be advanced through "consultation" and "advisory committees". On securing these considerable concessions, and with one day to spare, FUE agreed to sign.⁴¹

Farmers too sought further concessions. Their "working party" with the Department of Agriculture and Food had progressed little beyond the IFA's catalogue of grant demands. But, after a meeting with Haughey in late September, the IFA, believing it had successfully rebuffed a looming tax threat, announced its new "special relationship" with government, and intimated it would join the agreement. ICMSA, on the other hand, fearing the threat of a full PRSI levy on farmers remained, threatened to pull out. At the final meeting with Haughey on the morning of 9 October, ICMSA complained of the proposed "unsuitable tax treatment for farmers". Ó hUiginn presented a compromise offering a consultation process with the PRSI charge phased in over several years. When ICMSA rejected even this, Haughey offered to "solve ICMSA's problem by scrubbing their name from the draft Programme", whereupon its representatives "made no further contribution at the meeting ..., having been eliminated from further participation by the Taoiseach's action". At Ó hUiginn's urging, Haughey also resisted other farmer demands, such as IFA's Eurocurrency proposal, which Finance had warned would "involve a heavy cost for the taxpayer" and exchequer losses of 25 per cent of amounts drawn down. ICMSA also demanded levies only at point of sale rather than income, but Ó hUiginn warned that this was "completely in conflict with Government's commitment to tax farmers on the same basis as everyone else". Government offered some

⁴¹ "set the pace", interview with Turlough O'Sullivan, and similar Hastings et al 2007: 39; 'Major breakthrough on Economic Plan', IT 08/10/87; 'Proposals for an Agreement between the ICTU and the FUE and CIF', [Memo:] 'Meetings with Social Partners' 09/10/87, and Ó hUiginn to Taoiseach, 08/10/87, 'Points Employer bodies are likely to raise', DTA: S25281-E; Kevin Murphy Sec, PSMD (D/Lab.) to Ó hUiginn and Travers, 01/12/87, DTA: S25857-A

sweeteners, such as “an aggressive international marketing strategy” for food exports which the Minister had just that night agreed in Berlin. In the event, Haughey had to concede several of the IFA’s demands. But government’s leverage remained its CAP bargaining role, and, as the press reported – and apart from ICMSA - the IFA and the other groups, describing the agreement as a “historic landmark”, agreed to sign, “pending ratification by their members”.⁴²

Congress secured some final concessions too. The Department of Labour, warning of employer hostility, had advised Ó hUiginn “against any inclusion on Worker Participation”, or if unavoidable then at most talks on recommendations from the existing “Advisory Committee”. It also insisted that similar measures in the public sector be made subject to “budgetary constraints”. A clause was now agreed, even if diluted to the maximum employers had indicated they would accept. Commitments to equality measures and industrial relations reform were also finalised, again subject to consultative/“review” processes. Finally an “umbrella” clause was added for “outstanding” issues, such as on-going local authority lay-offs, outstanding Labour Court rulings in the semi-states, a strike at Irish Sugar etc., which it was agreed be resolved in urgent “bi-lateral” talks between ICTU and Ministers immediately the agreement was ratified. Congress then agreed to sign, pending ratification by affiliates. The ICTU Executive convened straight after the meeting, narrowly voting – by what majority is not recorded - to recommend the PNR at a special conference on 19 November.⁴³

Finally, having finalised disputed clauses, the FUE met Haughey and agreed to sign, though subject to ratification by the FUE Central Council in late October.

“To the strains of Mise Éire”: the political symbolism of a plan

The fate of the Programme for National Recovery, contentious even among the signing groups’ leadership strata, now depended on endorsement by volatile memberships. But Haughey’s paramount determination was to have it succeed,

⁴² ‘Main Points Farmer Bodies are likely to raise’, 08/10/87, DTA: S25281-E; ‘Farm talks boost Haughey strategy on economic plan’, *IT* 24/09/87; ICMSA report, ‘National Plan 1’, 09/10/87, ‘Department of Finance view on extension of Eurocurrency scheme’, 12/10/87, DTA: S25858-A; David Costello, D/A&F, on behalf of Minister Kennedy, in Berlin, to D/Taoiseach, 09/10/87, and J. Travers, D/Taoiseach, ‘Note’, 07/10/87, DTA: S25281-E; ‘ICMSA pulls out of draft National Plan’, *IT* 10/10/87

⁴³ J. Travers, ‘Note’, 07/10/87. ‘Points ICTU want included’, and Ó hUiginn to Taoiseach, 08/10/87, ‘Points ICTU are likely to raise’, DTA: S25281-E; ICTU EC meeting 09/10/1987 (‘Special Meeting’)

with his and his government's political credibility riding on it. It was an extraordinarily high-risk political gamble, but, as he would later say, the critical turning point and crowning achievement of his political career.⁴⁴

On the afternoon of those final meetings, the partner leaderships, together with Haughey and his full cabinet, assembled in a Dublin hotel for the press launch. When Ó hUiginn announced Haughey's arrival, the doors swung open and, as Carol Coulter reported, he solemnly led his entourage up the hall to the "strains of *Mise Éire*", Seán Ó Riada's famous score to a film celebrating the birth of the state. The fragility of the moment was reflected in a last minute panic at a rumoured public sector rebellion. Haughey, muttering "that's very helpful", turned to those beside him, repeating "rhubarb, rhubarb" as he shook their hands. Later, seeing a photographer poised, he put his arm around an off-guard embarrassed Phil Flynn. Attley later said it was like being in "a fuckin' play".⁴⁵

In a brief speech Haughey stressed the PNR's "historic" significance ensuring "a long period of industrial peace" though also, with its "more realistic basis than any previous National Plan, Understanding or Agreement", "a better and more productive way of conducting our affairs". Keeping his options open, he entered a caveat that the PNR "supplemented" the "development and employment policies already being carried out by Government in accordance with its own programme" while adding "greater precision and new possibilities". Observing from a distance, T.K. Whitaker, who had always opposed Haughey's tripartitism and been a proponent of statutory controls, and who would later describe Thatcher's "most creditable and enduring achievement" her re-establishing of "the supremacy of Government and Parliament over sectional interests", seemed both aghast and impressed in equal measure at Haughey's achievement.⁴⁶

The PNR: a plan for socio-economic transformation

The PNR proposed a 3-year plan running from January 1988 to December 1990. Compared to later agreements, it was a relatively short text, the product, it

⁴⁴ Haughey 2013

⁴⁵ Coulter, 'Nothing allowed disturb the sound of harmony', *IT* 10/10/87; Attley quoted in Hastings et al 2007: 41

⁴⁶ 'Economic Plan "a major achievement"', *IT* 10/10/87 and 'Opening remarks by Taoiseach at Press Conference to launch PNR', 09/10/87 ("Not released through GIS"), DTA: S25281-E; Whitaker on Thatcher, and "impressed", Chambers 2014: 240, 371

stated, of the “concerted efforts by all interests” to face “the grave state of our economic and social life” and “regenerate our economy and improve the social equity of our society”. It endorsed the “principles” of the 1986 NESC Report and followed its structure. Government would continue “to control and curtail public expenditure” to reduce borrowing and the National Debt, but also “increase economic activity, reduce interest rates and stimulate new employment”. Strong-EMS alignment, pay moderation and tax reform would deliver low interest rates and “promote investor confidence and inhibit speculative capital movements”. It detailed a range of specific commitments on tax, welfare and social “equity”, and over a hundred infrastructure and industrial projects which, together with a special role for state companies, would drive economic and social recovery.⁴⁷

Surprisingly, given its secondary role in the creation of the plan, the first section was titled “European Community Dimension”. This aligned the PNR with the as yet un-concluded Delors plan, embraced the single market, and advocated an enlarged EEC budget and regional/social strategies “to narrow disparities in economic development and living standards”. Achieving this consensus on EEC strategy was a significant achievement by Haughey. Many employers sympathised with Thatcher’s anti-centralisation stance and unions, notably the ITGWU, and despite reservations by ICTU leaders, had opposed the SEA in the April referendum, rehashing their 1972 opposition to European “capitalism”.⁴⁸

The PNR agreed precise tax reform targets over the course of the programme, subject to improving public finances, including reduced rates, an expanded tax “net”, curbing the “black economy” and reforming collection systems to “guarantee a significant improvement in compliance”, core issues for ICTU. On “social equity”, welfare would be ring-fenced regardless of public spending pressures, long-term dependent rates increased, services modernised, equality legislation introduced, and voluntary organisations “consulted” on policy. A strategy for an “equitable, comprehensive and cost effective health service” would be produced, including primary care, de-institutionalisation, community-based and preventative strategies, reform of the psychiatric services, and other areas. The “considerable” arrears in health contributions owed by farmers and

⁴⁷ Government of Ireland 1987

⁴⁸ ICTU position on SEA, ICTU ADC 1988: 220-1; “European capitalism”, O’Dowd 1992: iv

the self-employed would be recouped. On education, measures would increase participation by “working class children”, the disadvantaged and those with special needs. Vocational training was to be expanded and a Housing Bill introduced. These reforms reflected ICTU positions developed over years, and several had previously featured in the National Understandings.

Employment and industrial policy combined *Way Forward* initiatives, such as the IFSC, tourism, food, marine and forestry, with CII sectoral proposals and ICTU demands for the semi-states. An overall target of 20,000 jobs annually was set, each project allocated a specific target, from 1,000 in beef processing to small but precise figures in various micro-projects. The strategy hinged on state-driven growth of the indigenous industrial and services base by supporting “selected Irish companies” to develop to be internationally competitive and achieve the “size and vitality other small economies have achieved”. Inward investment (FDI), which had performed poorly in the 1980s, was not seen as a primary driver, but rather an auxiliary element supporting indigenous expansion, focused “on a specialised basis” in specific sectors and “encouraged” through re-fashioned fiscal measures. This was a compromise with the Telesis position, hardly reflecting the driving role Haughey’s inner circle actually foresaw for FDI. The whole strategy would be supported by a drive to modernise marketing and management, target high technologies and new skills, undertake a “radical re-organisation” of agency supports, and measures to reduce costs to business and remove restrictions on state-company expansion, by legislation if necessary. It was a programme for a radical overhaul of the productive economy.

The strategy contained one notable hostage to fortune in defining precise job targets and stating these referred only to new jobs, not net job outcomes. This represented a major success for Haughey. While ICTU had insisted on, and was conceded, concrete targets, that *bête noire* of Whitaker, Haughey insisted that job losses in sunset sectors were inevitable and the state could not act to save them.

Many PNR initiatives met partner-specific demands. While the PNR promoted a market-led expansion of food, forestry and horticulture, the IFA secured commitments “to safeguard Irish agriculture and family farm income” by defending CAP, expanding “headage” schemes and renewing the Eurocurrency

programme Finance had opposed. The CII secured commitments on lowering costs to business and expanding infrastructure. While ICTU goals to end health cuts, a national anti-poverty strategy and national minimum wage were not achieved, it secured expansion plans for state industries, social policy measures, increased welfare benefits and an ambitious programme of legislative reform.

Finally, the PNR included provisions to ensure its delivery, especially, as sought by ICTU in particular, a monitoring committee of top officials and partner representatives, chaired and supported by the Department of the Taoiseach, with inbuilt recourse to the Taoiseach and ministers for resolving problems.

Political high stakes: the rocky road to ratification

Political partisanship and traditional party dispositions towards tripartitism shaped party political responses to the PNR. It was soon clear there would be no “political consensus” on it as sought by the NESC, the CII and Haughey himself.

The new PD party simply rejected the PNR on principle, opposing “deals” with “interest groups”. Fine Gael, because of rather than despite its “Tallaght Strategy”, announced in September 1987, also attacked it as compromising monetary autonomy by its capitulation to “vested interests”, while promising to support the 1988 budget if it continued in the vein of 1987. In a more traditional partisan pose, Fine Gael in several Dáil interventions repeated this line of attack. Dukes condemned the PNR as “neither a plan nor a programme” but a “dickied up public service agreement” with “a fungus of promises attached”. He urged partner organisations, then balloting on it, to reject “the infamous programme” with its “fictitious job targets”. Noonan called it “a cynical deal by public sector unions trading jobs for pay”. In the tradition of Whitaker’s and FitzGerald’s fundamental antipathy to tripartitism, Dukes decried its “consensus” as “illusory”, leaving “no role for the Dáil in this process”. “It is in this house that a democratic consensus must be worked out ... and that the implementation of the action required to reach the agreed targets must be designed and crafted”.⁴⁹

Labour’s initial response, reflecting its own historic internal contradictions, saw Spring both laud Congress for seeking to secure improvements for the lower

⁴⁹ Dukes, “vested interests”, IT 03/09/87; Dukes, “neither plan nor programme”, Dáil 08/10/87; “infamous programme” Dáil 20/10/87; Noonan in Dáil 02/11/87; “consensus ... illusory”, IT 24/10/87

paid and in social policy, and attack the PNR for its “miserly” pay terms, funded by “firing ... public servants”. The Workers’ Party refrained from criticising ICTU directly, but generally attacked “cuts”. Labour, which had been badly hit in the election, barely returning twelve TDs, was convulsed by internal division as Emmet Stagg mounted a leadership challenge, with union support, on a left-wing socio-economic policy platform. The embattled leadership of Spring, Desmond and Finlay fought back with “a war to the death”. Bitter exchanges erupted between Desmond and Attley at Labour’s September 1987 conference, just as the final, tense negotiations on the PNR were concluding. Attley defended ICTU’s PNR strategy to a hostile hall and shouts of “lies” and “not true”, while Desmond attacked the unions and eviscerated the PNR, pledging the party’s unremitting opposition. The Spring leadership saw off Stagg’s challenge, and immediately positioned the party to oppose on principle Haughey and all he represented.⁵⁰

Spring remorselessly attacked the PNR in the Dáil as “the con trick of the century”, with its “sell-out” of natural resources, “firing” of public servants, slashing of services, “niggardly” pay increases, and “cosmetic” tax reforms that were “an insult” to workers. ICTU had signed a deal “hostile to working people” that would benefit only “yuppies and financial services” hiding their money in a capitalist “Holy Grail” on “twenty-seven derelict acres of Dublin dockland”. As unions were balloting, Spring encouraged ICTU’s dissidents, also calling for the Dáil to reject the PNR and government to “re-open negotiations with the social partners” to rescind “the cuts”: “We intend to fight this plan”.⁵¹

The political opposition’s hostility to the PNR, and encouraging of partner organisations to reject it, chimed with the views of leading economists. Kieran Kennedy of ESRI, despite his role in drafting *The Way Forward* in 1982, damned it with faint praise, its job targets “unconvincing”. Colm McCarthy, despite heading Haughey’s “Bord Snip”, and Paul Tansey attacked “social partnership” as an out-dated concept and threat to parliamentary government. A *Sunday Tribune* editorial called it a “self-destructive” plan and Sean Barrett of TCD a pay deal “the country cannot afford”. The nearest to a positive view was *Business & Finance*, an

⁵⁰ Spring “miserly”, Dáil, 07/10/87; WP position, IT 08/10/87; “war to death” and Desmond-Attley conflict, Finlay 1998: 38-61 also Quinn 2005: 246-8; “lies ... not true”, IT 28/09/87, Finlay 1998: 46-7

⁵¹ Spring in Dáil, 12, 17 and 20/10/87

employer-friendly organ, which gave it lukewarm approval for containing wages, while Brendan Keenan suggested its marginal merit in defusing conflict in the semi-states. The “Doheny and Nesbitt School” was not impressed! Almost alone, *The Irish Times*, in editorials contradicting the hostile commentaries it published, supported both the partnership concept and the PNR recovery strategy.⁵²

Given the political and “expert” opposition, ratification of the PNR faced a rocky road. The ICMSA, whose leaders had walked away from their final meeting with Haughey on 9 October, the day the other partners signed it pending ratification, denounced it as a “capitulation” to the unions, causing the IFA too to waver in its commitment. Haughey, under pressure from ICTU not to retreat from the principle of equitable taxation, dispatched MacSharry to keep the IFA on board by conceding that farmers’ PRSI would be based on their declared net rather than gross incomes, enraging the ICTU. But it mollified IFA leaders, though even further concessions would later be required to keep them onside.⁵³

Employers wavered too, despite the major concessions they had secured. The divided FUE Central Council deferred its final decision until ICTU’s conference had made the unions’ position clear. With farmers exploiting their leverage before ratifying the agreement, and the FUE fearing the agreement’s impact on their credibility with members, the PNR’s survival was down to whether the unions would ratify it. The ICTU Executive, in accordance with practice, agreed that unions ballot their members and send mandated delegates to the 19 November conference to decide the final stance of the overall movement.⁵⁴

As this balloting was underway, opposition parties boosted the PNR’s trade union opponents by intensifying their assaults on the PNR in the Dáil. Spring declared that “before the ink was dry” on it, government had capitulated to the “bully boy tactics” of farmers, “desperate to have their name on the dotted line”, something “all trade unionists should take ... into account”. Fine Gael attacked education cuts, demanding that government “suspend all further action” under

⁵² Kennedy, *IT* 15/10/87; McCarthy, *Irish Independent*; Tansey, *ST* 11/10/87; *ST* editorial 11/10/87; Barrett, *IT* 10/10/87; *Business & Finance* 14/10/87; Keenan, *II* 10/10/87; *IT* editorials 10 and 11/10/87

⁵³ ICMSA attack, *IT* 13/10/87; ICTU pressure, Cassells to Haughey, 19/10/87, ICTU Archive: GS-PA-1c; O’Sullivan, D/Taoiseach, to Travers, ‘Meeting between Minister for Finance and IFA re PRSI’, 30/10/87, DTA: S25858-A; ‘Split looming over PRSI report’, *Irish Farmers’ Journal* 19/12/1987; John Hynes, Dept. Social Welfare, to J. Travers, Dept. Taoiseach, 10/12/87, DTA: S25858-C

⁵⁴ *FUE Bulletin*, Oct. 1987; ICTU EC meeting 09/10/1987 (‘Special Meeting’)

the PNR and appealing to unions to forego pay increases to save teaching jobs, i.e. reject the agreement. A PD motion demanded a statutory wage freeze.⁵⁵

Government assisted the beleaguered ICTU, Haughey having officials supply it with agency plans for specific PNR projects, instructing ministers to provide details on projects within their remits, and launching several significant PNR initiatives, notably the Customs House site, the new semi-state forestry agency, Coillte, and the new Department of the Marine, and starting the decentralisation programme. Cabinet backed down on primary education cuts, launching a joint INTO/Department “review”. The public service redundancy scheme, already popular, was extended to all releasable public officials over 50 years old.⁵⁶

ICTU ratification depended on how unions voted at the special delegate conference (SDC), where individual union delegates would be bound by the position adopted by their union through their various internal procedures. These varied from democratic workplace or union hall-based secret ballots in most public service and larger general unions, which represented the great majority of workers, to “democratic centralist” executive-determined decisions in craft unions – some of whom, in advising rejection, told their members the terms were “confidential” and to simply follow their instruction - and some employing the arbitrary process of a “show of hands” at mostly sparsely attended branch meetings. Few British-based unions balloted, relying instead on their “Irish Region” or militant-dominated local executive councils to reach an “informed” position, a process controlled by union officials and shop stewards who would follow the militant line. Even in large unions that held secret ballots, counting of votes was “in-house”. But the binding sense of class across all unions meant that even the most “militant” would accept and abide by whatever common position the SDC determined. There was no appetite for withdrawal from Congress. While not impeccable, the ratification processes across the movement, representing 500,000 workers in the Republic, was, on balance, a roughly democratic affair.⁵⁷

⁵⁵ Spring in Dáil debates 20/10/87, Fine Gael in Dáil 12, 13, 17/11/87; *IT* 13 and 14/11/87

⁵⁶ Ó hUiginn to Pádraic White, IDA, ‘Background Briefing’, 23/10/87, CTT, ‘Sectoral Development Proposals’ n.d., DTA: S25281-E; ‘Summary Conclusions of Meeting of Ministers and Mins. of State’, 01/11/87 and M/Finance ‘Aide-memoire for government on Decentralisation Process,’ 01/11/87, DTA: S25858-B; ‘Government Statement’, 04/11/87, GIS

⁵⁷ Individual ratification processes in Pádraig Yeates, unpublished MA research paper, 2003, Yeates Papers

The basic divide in the unions was the same as that over NWAs throughout the 1970s, on the principle and benefits of centralised bargaining. Sectional, craft and British-based unions tended to oppose, while the larger national-orientated general and most public service unions had leaderships generally committed to central agreements. These could usually secure a majority of members behind them, however precariously. Some factors cut across unions. Trade unionists in strong private sector firms who believed they could secure better terms through local bargaining, for instance, including in general unions like the ITGWU, tended to be hostile to national agreements levelling wages down, as they saw it.

But any agreement to secure a majority at ICTU level had to have the public service and larger general unions - especially the ITGWU and FWUI - behind it to outweigh the mass of smaller opposing groups. Teachers could go either way depending on on-going disputes with government, with INTO, representing national schools, and TUI technical teachers, tending to favour, while secondary school teachers (ASTI) tended to oppose, resenting being “held back” in the interests of the low-paid. Though the leaderships of the ITGWU and LGPSU had been instrumental in bringing the PNR about, it was unclear how their members would vote, with much internal discontent evident. The modest wage increases, and the impact of left-wing agitation or calls for rejection by Labour and Fine Gael leaders could well tip a majority even in these unions against ratification.⁵⁸

The results produced an uneven pattern. Unions balloting to accept included most public servants, with civil service technicians (UPTCS, 6,000 members) 10:1, teachers (INTO, 20,000, and ASTI, 12,000), 2:1, telecom workers (CWU, 9,000) 6:1 and post office workers (PTWU) 3:1 in favour. In the private sector, bricklayers and painters, usually opponents, surprisingly supported it, swayed perhaps by hope for a recovery of their battered sectors through the plan. But the opposition initially seemed stronger, with the ATGWU (23,000), on the basis of local executive decisions, rejecting it, ostensibly by 15:1. It was also rejected, by sometimes similarly questionable means, by electricians (ETU, 10,000), white collar/managerial staffs (ASTMS, 14,000) and construction craftsmen (UCATT, 11,000). Cutbacks saw vocational teachers (TUI), unusually, reject it, as well as

⁵⁸ unpublished research paper, 2003, Yeates Papers; ‘Unions uncertain on national plan’, *IT* 02/11/1987

the small clerical-grade civil service union (FUGE). The great majority of very small unions, as usual, decided, usually by leadership fiat, against.⁵⁹

With this near equal balance, all now depended on how the three large unions whose leaders were most identified with the PNR – the ITGWU (Carroll), FWUI (Attley) and LGPSU (Flynn) – all of which used secret balloting, voted. Attley's traditionally well-disciplined pro-agreement FWUI (60,000), with its mainly public service membership, voted 2:1 in favour. But in the largest public service union, the LGPSU, whose general secretary, Phil Flynn, had been a primary architect and passionate advocate of the PNR, its large elected Executive decided to recommended rejection. This was due to the radical cuts in the health and local government sectors, which dominated its membership. But despite this recommendation, LGPSU members balloted to endorse the PNR, albeit by a narrow majority. The surprise result reflected both Flynn's popularity and the Fianna Fáil disposition of most members. In the ITGWU, its Executive, following a long, heated meeting, recommended a "yes" vote, after its authoritative President, John Carroll, also a leading architect of the PNR, urged it to.⁶⁰

The results in the LGPSU and ITGWU illustrated the key role of leaders in determining union choices. This factor had also been critical in the unusual decision by the bricklayers and secondary teachers to support the PNR. Both unions were traditionally hostile to central agreements, but their general secretaries, Kevin Duffy and Kieran Mulvey, were persuasive personalities who strongly supported the politically-driven pro-partnership ICTU leadership circle.

After the ITGWU counted the ballot of its 110,000 nominal members, the union dramatically announced it would not reveal the result until the ICTU conference, ostensibly so as not to prejudice how other unions voted. The *Irish Times* reported that "it is understood the ballot came close to rejecting the deal" and some in Congress certainly doubted a majority had actually voted in favour at all. But the move was also tactical by Carroll, to panic opponents of centralised deals in other less democratic union leaderships, who routinely rejected central agreement to foster their "militant" image, but in reality would panic if an ICTU

⁵⁹ 'Special Delegate Conference, Liberty Hall, Dublin,' 19/11/87, [unpublished report of proceedings], ICTU Archive: GS-PA-1c; 'Union votes' *IT* 18 and 20/11/87

⁶⁰ On ITGWU, *Irish Times* 19/11/87 and Devine 2009; on LGPSU vote, *Irish Times* 18 and 20/11/87.

majority actually rejected it. The official ITGWU result was 54 per cent in favour, in a poll in which 60 per cent of its actual 90,000 members voted.⁶¹

The tense ICTU conference on 19 November reproduced these deep divisions. Cassells, on behalf of the Congress Executive, argued defensively that the PNR, in which some “central features of our approach are incorporated”, was entirely separate to government’s “massive cuts in public expenditure”, which had not been negotiated, formed no part of the agreement, and would continue to be opposed. The PNR offered the only realistic alternative to a triumph of the “new right” economics of Thatcherism, which many in the elite, he said, eagerly awaited an opportunity to implement. Attley stressed that union aims of decent wages and living standards could simply not be achieved by “what you can get by negotiating in a few profitable companies”, throwing “the lower paid to the wolves”. Incoming Congress President, Bill Wallace, pleaded for the agreement “for the sake of the unemployed, ... of our members and of those on social welfare”. With delegates voting as mandated, the PNR was endorsed by 181 to 114. This was a comfortable majority, but the large “no” minority in unions such as the ITGWU and LGPSU whose majority had voted “yes”, meant a majority of union members overall opposed it, certainly if the results declared for oppositional unions are taken at face value. The ICTU mandate was precarious, the *Irish Times* describing it as “effectively swung by a few thousand ITGWU votes”.⁶²

But armed with the mandate, ICTU immediately declared its priority to “get on” with “rebuilding our industrial base” by ensuring speedy delivery of the PNR plan. In a letter to Haughey on the day of the vote, it sought an urgent meeting on the “immediate implementation of the Programme” and to establish the structures “to monitor achievement of targets and objectives”.⁶³

Employer endorsement followed two weeks later, but only after a flurry of background activity by government. The FUE had been alarmed by rumours that the Labour Court, whose exclusion from an “interpretative” role they thought

⁶¹ *Irish Times* 19/11/87; on ICTU doubts, interview with S. McCarthy; on ITGWU strategy, Interview with Attley; actual ITGWU ballot result Devine 2009

⁶² ‘Special Delegate Conference, Liberty Hall, Dublin,’ 19/11/87, [unpublished report of proceedings], and ‘Remarks by the President, Mr. Billy Wallace, at the close of the Conference’, 19/11/87, ICTU Archive: GS-PA-1c; ICTU *Annual Report* 1988: 216; ‘ICTU accepts national plan by majority of 63’, *IT* 20/11/87

⁶³ ICTU Press Release, ‘Job Creation first priority says Congress’, 19/11/87, ICTU Archive: GS-PA-1c; Cassells to Haughey, 24/11/1987, ICTU Archive: GS-PA-1d;

they had secured, intended to regard PNR rates as generally applicable. Government stressed to employers the PNR's "importance for national recovery", with "adherence to the pay norms crucial", especially as it effectively subsidised pay increases through tax reforms. This, as will be seen, had been Haughey's final concession to ICTU to assist it secure a majority at its conference. But the Department of Labour warned Ahern that the FUE was rebelling on the Labour Court issue. The 3 per cent/£4 "floor" had been the cause of "considerable acrimony and negotiation" with employers, who had only finally agreed to generally apply it on a locally-agreed voluntary basis and "would not be forced by the ... Labour Courts to do so". A rumour circulated that the chairs of Joint Labour Committees (JLCs) intended, in the event of tied employer/union votes, to adopt a default position of issuing binding wages orders applying PNR rates. This led Dan McAuley of the FUE to warn the Department that any adoption of the £4 as "mandatory on employers" would be regarded by FUE as a breach of trust. The Department warned Ó hUiginn of "a real risk the FUE would be instructed to withdraw". He therefore intervened to assuage employer fears, stressing the government position that the Court would not have such a role.⁶⁴

While the Labour Court position was thus parked rather than resolved, another problem for employers, indicating the limited remit of the FUE in more dynamic sectors, was, paradoxically, companies wanting to retain freedom to pay increases above PNR rates. It was a problem similar to ICTU's in profitable industries. The press was reporting new wage deals and Labour Court awards of over 5 per cent, and the FUE confided its fear to a Department official that "certain employers and unions" had "jointly indicated to the Labour Court that they want to opt out of the agreement". McAuley secretly lobbied government to pressure such companies to comply. Although Finance reported that the cases were not new and mostly involved the last phases of pre-PNR deals and in some cases non-FUE-member companies, the Department warned Ahern that "any continued divergence from the agreed norms ... will ultimately make it more difficult to hold the line in the public sector", and, stressing government's insistence on "adherence to the pay norms as crucial", suggested he have

⁶⁴ Kevin Murphy [Sec., D/Lab.] to Minister [for Lab.], 'Pay in the Private Sector', 24/11/87, Murphy to Ó hUiginn and Travers, 01/12/87, and Travers to Teahon and Sec. [= Ó hUiginn], 02.12.87, DTA: S25857-A

Haughey personally write to the MDs of the thousand largest companies emphasising the agreement's "importance for national recovery".⁶⁵

The FUE also worried that FDI companies reliant on high skilled labour would offer pay increases "over the odds", again putting it under pressure. Although such firms, as advised by the IDA, tended on principle not to go against national norms, the FUE believed that Howmedica, a US pharmaceutical firm, not an FUE member but a pay "trendsetter", intended to exceed the PNR's 2.5 per cent "guideline". He needn't have worried for, as Ó hUiginn told Haughey, its managing director, Dermot Whelan – later CII President and Limerick University *luminatus* - had "assured me that, as a matter of principle, they would not exceed the guideline". "They regard themselves as guests of the Irish economy and would not wish to take any action which would be detrimental to the national interest. Mr. Whelan also asked me to convey his regards to you".⁶⁶

Finally "assured", especially through the "ample scope for resolving problems and taking initiatives at local level", the FUE Central Council announced that "in general members were prepared to support the Programme ... in the interests of the country and the development of the economy". While the FUE was finally on board, the construction industry needed a further nudge. To bring it over the line, government confidentially provided "clarification" that the 1-hour working time reduction agreed in the PNR would be understood as applying in construction only to workers on over 40 hours, and promising that public contracts would be adjusted to compensate for PNR pay-increase costs.⁶⁷

Fine Gael, after talks with whips on a common motion opposing increased pupil/teacher ratios failed due to the PDs, moved another motion in the Dáil demanding public service pay increases be suspended to save teaching jobs and rejecting the PNR. Haughey sought through a last minute amendment, drafted by Ó hUiginn, to secure support for the PNR by stressing its consensus aspect. But this failed and Fine Gael's motion was carried. As it was not a confidence vote it

⁶⁵ 'Unions uncertain on national plan support', *Irish Times* 02/11/87; Murphy [Sec., D/Labour] to Minister 'Pay in the Private Sector', 24/11/87, DTA: S25857-A; D/Finance, 'Settlements in excess of Private Sector Pay Agreement associated with the PNR', Dec. 1987, DTA: OHP

⁶⁶ On IDA guidance to TNCs, Interview with Pádraic White; on Howmedica, Ó hUiginn to Taoiseach, 'National Programme - Pay Guidelines', 11/11/87, DTA: OHP. On Whelan also www.ul.ie/ceremonies/dermot-patrick-whelan

⁶⁷ *FUE Bulletin*, Nov. 1987; Thomas Reynolds, MD, CIF, to Ó hUiginn, 24/11/87, DTA: S25858-C

could not stop the PNR proceeding, but it showed the limits of the Tallaght Strategy and ended Haughey's hopes of a "political consensus" on the PNR.⁶⁸

Last minute concessions had been essential to securing ratification of the PNR, including a rather dubious interpretation of the Labour Court's remit and the working hours clause of the PNR to appease employers. The agreement also failed to achieve political consensus in the Dáil. Its final ratification by partner organisations, however close, resulted from the single-minded determination of government and beleaguered pro-partnership ICTU leaders to achieve their "consensus plan". Despite CII enthusiasm, considerable political intervention had been required to finally bring employer leaders on board. Haughey's own dramatic interventions meant his high-stakes strategy now had buy-in, however precarious. Without the "few thousand votes" of the ITGWU his political position might well have been fatally undermined, as the only alternative available, a Thatcher-like strategy backed by Fine Gael and the PDs, would have contradicted everything he stood for in politics. Ensuring the success of the PNR as more than simply a "dickied up public service agreement" with "a fungus of promises attached", as Dukes contemptuously described it, was Haughey's next challenge.

⁶⁸ Ó hUiginn to Chief Whip 17/11/87, DTA: OHP; Dáil 24/11/87; Dáil events also *Irish Times* 25/11/1987

Part 3:

Implementation, 1987-89

Chapter 7

The strategy and dynamics of partnership, 1987-89

Kick-starting the partnership “system”, December 1987

Once the unions had ratified the agreement, Haughey moved to embed the new system. ICTU was just as determined, intent on getting the “Central Review Committee” (CRC) up and running while simultaneously establishing political distance to government with a “Campaign for Jobs” ahead of the 1988 budget.¹

Before moving, government assessed its position. The economic situation was precarious following the London/New York stock market crises. The ESRI urged that to avoid recession PNR expenditure reduction targets had to be met “in full” which, it pessimistically opined, should lead “within a couple of years” to a “return to a path of steady growth”. *The Irish Times* warned that a “worst case scenario” might require re-negotiating the PNR to achieve higher cuts. The PNR’s prioritising of monetary stabilisation allowed government a gradualist moderate approach on tax reform, so it started with low-cost commitments, such as labour law reform. But MacSharry’s reporting to cabinet on 10 December that 1987 ERB reduction targets were “certain to be achieved” created budgetary space, allowing Haughey order that Christmas welfare bonuses, which the coalition had suspended and he had not committed to restore, be paid.²

This opened the door for ICTU to engage. But it had several “outstanding” issues, which PNR’s “umbrella” clause was designed to resolve, it first wanted addressed. These included local authorities laying off workers for cost-saving reasons, health boards cutting student nurse salaries, the pupil/teacher ratio review, and the homelessness bill promised for Christmas. It was also irritated by ministerial announcements of PNR initiatives without consulting with it or mentioning their PNR context. These included the Gleeson Report which had embarrassingly advised a 15 per cent salary hike for top state officials, an

¹ Cassells to Haughey, 24/11/1987, DTA: S25857A; ‘PNR - ICTU Continues Campaign for Jobs –Address by Peter Cassells ... to SSISI’, 03/12/87, ICTU Archive: GS-PA-1c

² ESRI, *Mid-term forecast*, Dec. 1987; *IT* (editorial) 20/11/87; ‘M/Labour publishes Review of Equality Legislation,’ 30/11/87, GIS: D/Labour; D/Finance to D/ Taoiseach, ‘Budgetary Developments’ n.d. [10/12/87], DTA: S25862-A

“efficiency audit” demanded by the IFA of staff and services at the Department of Agriculture, and solo runs by Ahern with “discussion documents” on law reform.³

Employers also had concerns, FUE’s priority being to ensure PNR pay terms were not a national “norm” enforceable by the Labour Court. Defining PNR pay terms as subject to “local conditions” and “local negotiation” had been vital in it signing the PNR. Any attempt to re-open the subject on the CRC, Department of Labour officials warned, would only “muddy the waters on what the Pay Agreement entails” and cause an FUE “walk-out”. Congress, when it learned of this, was alarmed at the apparent concession to employers on which it had not been consulted. The Department of the Taoiseach knew the issue would have to be resolved in ICTU’s favour, as they “had ‘sold’ the Programme to their members on [the] basis, inter alia, of [its] special provisions ... for low-paid workers”.⁴

Haughey arranged to meet both ICTU and CII/FUE – in that order, as ever. He assured Congress beforehand on some issues, explaining that the “efficiency audit” was a purely Department-IFA affair, formed no part of the PNR, and he had not ordered it. Action would also be taken on the other issues they raised. He had Ó hUiginn berate the Department of Environment over continued local authority lay-offs and the housing bill, telling them inaction “detracted from the credibility of the Programme and the Government’s commitment to it”. He also ordered that arrangements to establish the CRC be “expedited”.⁵

Before meeting ICTU, Haughey, through Ó hUiginn, instructed ministers to arrange “bilateral” meetings to resolve its grievances. They were also to make sure departments were “gearing their activities very firmly to secure the employment targets set out in the Programme” and that unilateral announcements ceased. The ICTU vote had been “very close” and “a good deal of scepticism among union members in relation to Government commitment” remained. Their “perception” was of “Government Departments and State

³ J.T. [= Travers] to Sec. [= Ó hUiginn], ‘Meeting between Taoiseach and Ministers ... with Reps. of ICTU on 10th Dec.’, 03/10/87, Cassells to Ó hUiginn, 04/12/87 re “efficiency audit”, DTA: S25862-A; ‘Meeting of Taoiseach, M/Finance and M/Agric. with IFA, ICOS and Macra na Féirme’, 13/11/87, GIS: D/Taoiseach

⁴ Travers to Teahon and Sec. [= Ó hUiginn] 02.12.87, and J.T. [= Travers] to Sec., ‘Meeting between Taoiseach and Ministers ... with Representatives of ICTU on 10th December’, 03/10/87, DTA: S25857-A

⁵ h/w note, J.T. [= Travers] of telephone conversation between “Sec.” [= Ó hUiginn] and Peter Cassells, 07/12/87, ‘Meeting between Taoiseach and Ministers and Employer Bodies’, 14/12/87, Dermot Nally, Sec., D/Taoiseach, to M/Finance, 08/12/87, and Ó hUiginn [to Haughey], ‘Aide Memoire for Government - PNR: Proposed Arrangements for Establishment and Operation of the Central Review Committee’, Ó hUiginn, h/w note, n.d., ‘PNR 1987 Review and Mon. Cttee’, DTA: S25857-A

agencies not actively pursuing the provisions of the Programme” and this “lackadaisical approach” must change to an “urgent one”. Congress’s fears must be “allayed by firm implementation of the measures ... and by demonstrating early progress”, essential “if the programme was not to disintegrate”. Plans for PNR initiatives in their remit were to be submitted before Haughey met ICTU.⁶

At the meeting with Congress, Haughey dominated on the government side, with ministers contributing only when asked, and similarly, and despite a large delegation, Cassells and Flynn – as Attley couldn’t attend - provided most of ICTU’s input. In front of his silent ministers Haughey detailed how each ICTU issue was being “immediately” addressed, and undertook to rein in solo runs and defer Gleeson. He gave detailed updates on measures initiated and the plans of each department, and assured ICTU of full civil service cooperation. Timescales for commencing programmes were discussed, bilateral meetings with ministers arranged, terms of reference for the CRC, which Ó hUiginn had drafted with Haughey, agreed, and an inaugural date set for its first meeting the following week. In a major coup for the ICTU that disregarded FUE threats, Haughey said government considered the PNR’s pay terms as generally applying, unless where in exceptional cases a company’s difficulties prevented this. He thus effectively conceded Labour Court enforcement. ICTU agreed to the CRC being focused on programme delivery, with pay a matter for a separate forum. A government-ICTU “Joint Statement” followed, listing the PNR measures already initiated, welcoming the Customs House project, and noting the “bounce” in the economy already apparent due to the stability and confidence the PNR provided.⁷

⁶ Instructions to departments, Ó hUiginn to Taoiseach, ‘Meeting with ICTU 10/12/87’, also correspondence between Travers/Ó hUiginn and various Departments/agencies B. McDonagh, D/Communications to Travers, D/Taoiseach, 09/12/87, DTA: S25862-A; “ICTU vote very close”, J.T. [= Travers] h/w note of telephone conversation between “Sec.” [= Ó hUiginn] and Cassells, 07/12/87, and ‘Meeting between Taoiseach and Ministers and Employer Bodies’, 14/12/87, DTA: S25862-A

⁷ h/w minutes of Govt.-ICTU meeting of 10/12/87, ‘Documentation, PNR’ [for meeting 10/12/87], J.T. [= Travers] to Sec. [= Ó hUiginn], ‘Meeting between Taoiseach and Ministers ... with Representatives of ICTU on 10th December’, 03/10/87, DTA: S25862-A; D/I&C, ‘List of Industrial Measures’, Tourism Section, D/I&C, ‘Brief for Taoiseach’s meeting with ICTU on 10 December’, 09/12/87, John Hynes, D/Social Welfare to Travers, D/ Taoiseach, ‘Measures being implemented by D/Social Welfare’, 10/12/87, and D/Taoiseach memo, ‘Social Policy Aspect’, DTA: S25858-C; ICTU, ‘Confidential – PNR, Report of Meeting with the Taoiseach, 10 December 1987’, ICTU Archive: GS-PA-1c; Ó hUiginn [for Taoiseach]: ‘Aide Memoire for Government, PNR, Proposed Arrangements for Establishment and Operation of the Central Review Committee’, Dermot Nally, Private Sec. D/Taoiseach, to M/Finance: 08/12/87 and Ó hUiginn to Taoiseach, 10/12/87, DTA: S25857-A; ‘Joint Government-ICTU Statement’, 10/12/87, GIS: D/Taoiseach

Haughey then met the FUE, CII and CIF. While expressing his “understanding” for their position on the pay issue, he quickly moved on to the benefits to business of budget discipline, the economic stability provided by the PNR, and its growth and infrastructure plans, with which CII enthusiastically engaged. He then met farming organisations. He remained hopeful the ICMSA could be induced to re-engage, instructing that places be reserved for them on the CRC, and assured a nervous IFA that PRSI levies would be deferred until the Pensions Board had completed a review of the insurance liabilities of the self-employed.⁸

With the main partners placated, the first meeting of the CRC took place on 18 December. “Bilateral” pre-budget meetings were also arranged during January 1988. The budget continued MacSharry’s schedule of cuts and while the PDs attacked concessions to “interest groups”, Fine Gael did not oppose it and the FUE and CII welcomed it. Although it deferred farmers’ PRSI and Spring denounced it as “miserly and penny-pinching”, it included PAYE and welfare improvements. ICTU, while criticising the cuts, welcomed this “first step towards the implementation of the tax reform and social equity elements” of the PNR.⁹

Partnership did not end the routines of class warfare, with Congress responding to an employers’ Christmas statement, which boasted of having minimised wages and costs through the PNR, by attacking “scrooge employers” resisting basic PNR increases and highlighting ICTU’s success in having the minimum rates agreed applying generally.¹⁰

Social partnership was up and running.

Institutional drivers: CRC, NESC and the State

CRC: a “mechanism unique in the European Community”

A 1990 review of the PNR described the CRC as a “mechanism unique in the European Community” enabling “the social partners to have an on-going input into Government decision-making on economic and social policy”. Those

⁸ Mtg., Taoiseach and Ministers and Employer Bodies. 14/12/87, Dermot Nally, Private Sec. D/Taoiseach to Min. Finance: 08/12/87, DTA: S25857-A; John Hynes, D/Social Welfare, to J. Travers, D/Taoiseach, 10/12/87, DTA: S25858-C; ‘Split looming over PRSI report’, *Irish Farmers’ Journal* 19/12/1987

⁹ *FUE Bulletin* and *CII Bulletin*, Jan. 1988; ICTU ‘Statement on Budget’, 27/01/88, in ICTU AR 1988: 223-5; Dick Spring, ‘Miserly and penny-pinching’, and Cassells, ‘First step’, *Cork Examiner*, 28/01/88

¹⁰ *FUE Bulletin*, Dec. 1987; ‘JLCs £4 minimum to be repaid’, *IRN Report*, 07.01.88; ICTU, ‘Press Release’, 22/12/87, ICTU Archive: GS-PA-1c

involved, from Ó hUiginn to Flynn, Cassells to Power, recall its meetings as sometimes gruelling or exasperating, but mostly collegial, innovative and quite effective. It provided the PNR's administrative dynamic, coaxing programme delivery, trouble-shooting problems and resolving impasses. It met monthly (except August) in the prestigious conference room of the Taoiseach's Department, over 19 months from December 1987 to September 1990, when negotiations on a successor agreement began. Its *modus operandi* was consensus and confidentially though, as Haughey told opposition leaders criticising its "secrecy", its minutes were on the public record, available in the Dáil Library.¹¹

The CRC, chaired by Ó hUiginn who never missed a meeting, consisted of six members each from ICTU and business/employer groups (two each from CII/FUE/CIF), and four from farming bodies (two IFA and one each from ICOS and Macra na Féirme), with two held "open" for ICMSA. Civil servants – "assistant secretary or higher", as the terms of reference specified – were appointed by Finance, Labour and Industry and Commerce, with others attending as required. The CRC focused on monitoring programme delivery, accepting that pay and other issues were separate matters for the "negotiating" and "political levels".¹²

ICTU's representatives - Attley, Flynn, Browne, Kirwan and Quigley - were all strong partnership advocates, and members of either, or both, the NESC and the Congress Executive's GPC. They were backed-up by full-time officials Nevin and Cassells or, following Nevin's retirement, Patricia O'Donovan, the CRC's first and sole woman member. Although etiquette prescribed that senior elected figures – "presidents" etc. - represent their organisations, it was the full time officials who provided most input. Congress President John Carroll, despite his key role in the PNR, attended only the "inaugural meeting", as figures at this level, like their political counterparts, did not to attend the CRC but presided instead at "political level" meetings with Haughey. The senior figures who attended regularly were Attley, Flynn and Browne the most consistent for ICTU, the dominant figure for employers Jim O'Brien, divisional director of FUE/FIE, until joined by John Dunne in 1989, for the CII Liam Connellan, Director General, and Con Power,

¹¹ CRC 1990; Interviews with Cassells, Ó hUiginn, Power, O'Sullivan, Attley, O'Donovan; Dáil library, Haughey in Dáil, 02/03/88

¹² Ó hUiginn [for Taoiseach]: 'Aide Memoire for Government, PNR, Proposed Arrangements for Establishment and Operation of the Central Review Committee', Dermot Nally, Private Sec. D/Taoiseach, to M/Finance: 08/12/87, DTA: S25857-A; on CRC membership see Appendix A

chief economist, and for the IFA Michael Berkery, its general secretary, and Con Lucey, its chief economist. Similar level officials also attended for ICOS and Macra. Government was represented by Ó hUiginn, his assistant secretary, Paddy Teahon, and again with consistent attendance, assistant secretaries from Finance (Tutty and O’Gorman), Labour (Bonner) and Industry and Commerce (Woulfe and Dorgan). These were also government appointees on NESC. Typical CRC meetings involved 8 to 12 “social partners” and from 12 to 20 state officials.¹³

In February 1988, Ó hUiginn proposed a “Secretariat Group” (SG) to convene between meetings to organise the agenda and free CRC of mundane bureaucratic work. A somewhat suspicious CRC agreed to it “on a trial basis”, but it became a regular ancillary structure. The “SG” was chaired by Teahon and comprised eight “partner” members - the main full-time official for each organisation - and an assistant secretary from each department. For ICTU this was Cassells, or sometimes O’Donovan, but given their activism and the consensus ethos, the fact they were just two union people among eight partners on the SG did not dilute the ICTU input. To facilitate open discussion and efficient decision-making, the SG dispensed with minutes, producing only simple agreed “Action Points” for consideration by the CRC, though luckily for historians extensive hand-written notes of most Secretariat Group meetings survive.¹⁴

Haughey had planned to open the inaugural CRC meeting with a high-minded speech on its historic significance and the “solemn” commitment of government to deliver on PNR goals. But it turned out a more prosaic affair lacking historical resonance, as Haughey was again ill and could not attend. It discussed departmental progress in resolving “outstanding” issues and a long composite document of progress by departments on PNR commitments. The CRC’s confidential and “consensus” *modus operandi*, far from nourishing “groupthink”, facilitated open and robust debate, with little grand-standing. With no voting, numbers attending was irrelevant. Consensus was far from always possible, but only rarely did partners insist on their dissenting views being recorded. More usually, minority views were taken by partners to the “political level”. That this

¹³ Records of CRC meetings 1987-89; ICTU EC meeting 16/12/87, Item 1371; See also Appendix A, CRC membership, and Appendix B, CRC attendance 1987-90

¹⁴ DTA SG and CRC records

modus operandi worked was assisted by the fact that most CRC members and officials, including Ó hUiginn, knew each other from NESC and other forums.¹⁵

Ó hUiginn, a pro-active chairman, represented Haughey, with whom he had close almost daily contact, rather than government *per se* or the civil service. He intervened to initiate or steer debates, support particular partner demands, pressurise officials, or deflect partner claims to defend state interests. He was highly respected by all members and his authority – often “a weary stare” sufficing – enough to ensure compliance from the most recalcitrant civil servant. When divisions arose, his support for whichever side – representing Haughey’s preference – determined the balance of “consensus”. Other civil servants also actively debated propositions or defended their departmental interests. It was not always possible to leave disputes at the door, causing the FUE in June 1988 to again insist that pay and disputes be excluded. A rare exception was when ICTU protested the CIF’s refusal to increase pension contributions. Claiming this was “contrary to the spirit and intent of the PNR” and warning of inevitable “confrontation”, ICTU asked Ó hUiginn to use his “good offices” to ensure CIF “respect[ed] the underlying commitments”. CIF was brought quickly to heel.¹⁶

Regular disputes arose over interpretation of PNR policies. When the IFA and ICTU clashed over VAT refunds and PRSI for farmers, on Ó hUiginn’s suggestion the CRC parked the issue by advising the IFA to pursue its grievance directly with government. On other partner clashes with government, the CRC sometimes backed aggrieved partners, as when Agriculture Minister O’Kennedy insisted on appointing directors of his choice to the new Teagasc board. The IFA protested, demanding formal representation, and ICTU the election of worker directors. On Ó hUiginn’s advice, Haughey had O’Kennedy “take account” of their requests, and their nominees were duly included among O’Kennedy’s appointees.¹⁷

¹⁵ ‘Draft Statement by An Taoiseach at the Inaugural Meeting of the [CRC] established on 18 December 1987’, DTA: S25857-A, Travers to Secretaries of all Departments – 02/12/87, and correspondence with Departments, DTA: S25858-C; ‘Specific Measures included in the Programme for National Recovery: Summary of positions as reported by Government Departments, Dec. 1987’, ‘CRC, PNR: first mtg. Friday 18 December 1987, Dept. T Room 116’, Agenda and correspondence for first meeting, and Minutes First meeting of the CRC, 18/12/87, DTA: S25857-A

¹⁶ “weary stare”, Attley interview; FUE insistence, h/w notes. ‘Secretariat Group 16/6/88’, DTA: S25857-F; construction industry, Tom McGrath, ICTU, to Ó hUiginn, 26/04/89: ‘Re: Programme for National recovery’, DTA: S25857-R

¹⁷ farmer’s PRSI issue, h/w notes, CRC Secretariat Group, ‘Sec. Group 16/6/88’, DTA: S25857-F; Teagasc dispute, CRC. Summary Report of Third Meeting held on Thursday, 18 Feb. 1988, DTA: S25857-B; D/A&F, memo, ‘Abolition of AFT’, 21/03/88, S25857-C; CRC 6th Meeting – h/w notes for Minutes, n.d. [26 May

ICTU ensured that the check-listing approach to monitoring progress of the programme, which Haughey had proposed for the inaugural meeting, became the CRC's standard operating procedure. Each meeting examined the bulky composite document, updated monthly, *"Specific Measures included in the Programme for National Recovery: Summary of positions as reported by Government Departments"*. This rolling reporting process provided the committee's monitoring dynamic. ICTU also insisted on precise dates "by which implementation of specific measures are to be achieved", reflecting its frustration with bureaucratic "blocking" and evasive replies by officials.¹⁸

Despite Haughey's centralised control, officials were prone to continue in what he had called their "lackadaisical approach". The Department of I&C, while establishing a special unit to meet CRC's reporting requirements, remained, to the exasperation of Congress, often evasive, or vague on detail, while Finance also tended to minimal reporting, quoting budget confidentiality, and Environment listed other impediments. When John Travers of Taoiseach's, reflecting the CRC's growing impatience, politely asked I&C to provide "more active follow-up on specific commitments" and on "precise steps being taken on a sector by sector basis", it responded that "while not wishing to be uncooperative" and "while satisfied to work within the parameters laid down by the Taoiseach" for the PNR, it would require time to study the issues, and for "material to be prepared, co-ordinated and cleared". Travers promptly "put the Department on notice that detailed progress reports" be provided, sarcastically suggesting leaving "the 'study' to follow to support such action in due course".¹⁹

The parties most committed to the PNR drove the CRC. The activism of the CII was especially impressive, presenting papers and pressing for action on initiatives, from export costs and an international conference centre, to roads/

1988], Ó hUiginn to Michael O'Kennedy TD, M/A&F, 26/05/88 and Sec [Ó hU] to Taoiseach, 30/05/88. 'Board of Teagasc', DTA: S25857-E

¹⁸ CRC Secretariat Group, 'Action Points arising from First Meeting [of SG]', 08/02/88', DTA: S25857-B

¹⁹ On departmental reluctance, CRC, Summary Report and h/w minutes 3rd Meeting, 18/02/88, DTA: S25857-B; D/I&C, Feb. 88, 'CRC/14 - Plans for Monitoring, Implementation of Overall Manufacturing/International Services/Job Creation Targets', DTA: S25857-B; Michael O'Connell, D/Environment, to Travers, 16/02/88, DTA: S25858-E; D/I&C and D/F entries in 'Summary Report, Specific Measures ...', 15/02/88, DTA: S25857-B; for Travers/I&C exchange, Travers D/T to Paul Bates, D/I&C 25/02/88, and to Sec. [Ó hUiginn], 23/02/88, inc. CTT draft, 'PNR: Automotive Components Exports', DTA: S25857-B

infrastructure projects and adult education. Its proposal to market Ireland as an “International Education Centre” advanced once Haughey voiced his support.²⁰

The Dáil opposition treated the CRC as an easy target, Labour calling for it to demand a reversal of education cuts - absurdly at odds with its purpose - and the Workers Party, ironically given its own history, querying its legitimacy as a secretive, unaccountable body, and demanding its deliberations be subject to public scrutiny, despite the CRC minutes being available to it in the Dáil library.²¹

The major constraint on the CRC were the boundaries government put to information provided or withheld, as examples later will illustrate. But all social partners involved recall it as a heroic effort, an innovative institution that generated inter-agency collaboration in what was a profound break with traditional disjointed civil service tradition and decision-making routines.

NESC: the “appropriate body” for national strategy

The NESC was the representative national-level strategic agency of social partnership, forming its senate. Haughey elevated the “principles” of its 1986 report to the framework for government socio-economic strategy and, when addressing the body in 1987, restored it, as he had previously done in 1980-82, to a central role in further “elaborating” national strategy. He underscored his support for the NESC by lauding its recommendations on issues such as state social spending at the expense of its rival, the semi-private-sector ESRI, the economic think-tank co-established by Whitaker and favoured by FitzGerald.²²

The CRC debated how the partnership system could be further consolidated and the emerging partnership architecture “rationalised”, such as by merging the 1980-era tripartite Sectoral Development Committee and other institutions with it, and defining the mutually complementary roles of the NESC and CRC. Noting how the NESC’s advocacy of “a well developed consensus approach in a small country like Ireland” was “now recognised”, and how the use of the NESC by previous governments in “commissioning consultants’ reports and commenting upon them” was now past, it proposed that “for the future [NESC] should focus

²⁰ Memo, John Kenna 09/03/88 (‘from Mr Power CII for CRC’, 10/03/88) - ‘Freight transport Costs to UK and Continental Europe’, DTA: S25857-C; D/Marine, ‘Confidential. Summary of Report on Initial Meeting with CII on Access Transport Costs’, 26/08/88, DTA: S25857-G; Power, CII, to P Teahon, 26/10/88 and CRC, Summary Report 14th Meeting, 19/04/89, DTA: S25857-R

²¹ Dáil 02 and 09/03/88

²² ‘Statement by Government on Release of NESC Report No. 85’, 30/11/88, GIS: D/Taoiseach

on getting agreement on [strategic] priorities and submitting them through the system". Translating NESC proposals into programmes, such as the PNR, was a "political" matter, with "one of the strengths of the NESC" being that "politicians could take or leave its recommendations": "without a conscious political initiative, the gap between NESC's ... *Strategy for Development* and negotiation of the PNR could not have been bridged". But employers resisted any deepening of partnership structures as "premature", and the CRC agreed to await the re-constitution of NESC in 1989 before again considering institutional changes.²³

Once the first-stage legislation freeing capital movement under the SEA was passed, Haughey and Ó hUiginn decided to request the NESC to undertake a major project "elaborating" Irish policy on the EEC, Haughey telling the council he regarded it as the "appropriate body" to undertake such a strategic review. An enthused NESC shelved its micro projects to focus on the "EEC study", entrusting the research and field-work to the talented young economist Rory O'Donnell, who in a future era would play a central role at the NESC itself. Even the IFA supported the upgrading of the NESC given, as its chief economist Con Lucey put it, the "restricted [policy] expertise in Departments". The seriousness with which the NESC took Haughey's promotion of it was reflected in the ICTU Executive now retiring its second-tier NESC representatives ("due to pressure of work"!) and replacing them with senior partnership figures, Phil Flynn and Kieran Mulvey, and CII similarly appointing its top strategists, Connellan and Power.²⁴

The first sections of the "EEC study", already available by autumn 1987, examined Ireland's comparative performance in the EEC, critiquing its poor relative institutional performance and short-term policy approach compared to other "more successful" "small" states. NESC meetings over the following year scrutinised successive draft chapters and their conclusions. A consensus position quickly emerged, though finalising the study was delayed pending EEC approved of structural fund plans, and it was only finally published in August 1989. ICTU focused on industrial policy but ensured a strong endorsement of Delors' "social

²³ CRC Sec. Group. Action Points arising from 3rd mtg., 18/04/88, DTA: S25857-D; h/w notes. 'Sec. Group 16/6/88', DTA: S25857-F; 'Functions, Membership and Work Programme of the CRC, SDC and NESC', SG/70, n.d. [Sept. 1988], DTA: S25857-I; h/w notes, SG mtg. 13/12/88, DTA: S25857-M; Ó hUiginn to O'Sullivan, 'CRC Sec. Group: preliminary discussion, possible rationalisation', 13/12/88. DTA: S25857-R

²⁴ Ó hUiginn to Council members, 21/05/1987, Council Minutes, 27/05/88, Danaher (Sec) to members, 04/10/87, NESC Archive, Box 3; h/w notes, CRC Secretariat Group. meeting 10/03/88, DTA: S25857-C;

dimension”, while the CII promoted sectoral strategies and the IFA agricultural goals. When completed, Tom Toner of the FUE described it as “our latest blockbuster”, the fruit of “enormously constructive and, I hope, useful work”.²⁵

The NESC quickly reached what it termed a “fundamental conclusion” that, contrary to the Commission view, the working of the internal market, on its own, would not “narrow the income disparities between regions ... let alone bring about convergence”. Its logic would rather be to concentrate wealth at the “core” at the expense of periphery. Major interventionism, as opposed to the modest structural funding proposed, would be essential to counter this market logic and achieve “convergence”. The Irish experience of EEC membership had been a “constant attrition” of indigenous industry: “instead of integration stimulating dominant indigenous firms to exploit economies of scale and thus eliminate the tail of high cost producers, larger Irish manufacturers would seem to have been part of the tail eliminated by producers in other countries”. It concluded with polite understatement: “part of the rise in unemployment since accession is attributable ... to the trade effects of EEC membership”.²⁶

The absence initially of a credible EEC transfer strategy, and the negative critique of single market planning by the European Trade Union Congress (ETUC), had determined ICTU’s call for a “No” vote in the SEA referendum. Union economists argued that in an open market “foreign direct investment will tend to move more to the centre of Europe in the absence of a European industrial policy”. Another result of an “unfettered” market approach it identified was the trend already apparent since the lifting of some capital controls of Ireland’s forty biggest companies beginning to expand through acquisitions abroad rather than investment at home. ICTU used this to argue that only the semi-states offered a credible basis for a large-scale indigenous-based “export-led industrialisation”.²⁷

But another perspective on freeing capital controls as an opportunity for Ireland also emerged, even before the rapid freeing of capital movements came on the European agenda. It should be stressed how unexpected this policy departure was. The SEA initially had limited objectives, and it was only in July

²⁵ Council Minutes, 27/05/88 and subsequent meetings 1988-89, Toner to Ó hUiginn, 24/10/90, NESC Archive, Box 3; Int. Power

²⁶ NESC 1989: 160, 515

²⁷ Sweeney 1990: 204

1988 that the EC Council agreed to a new “Delors Committee” to examine and propose steps towards EMU. Reporting in April 1989, it proposed moving rapidly to achieve it, though, as Rory O’Donnell noted, central bankers “probably signed the report believing it was primarily a descriptive document” which member states would “quietly drop” when its political ramifications became clear. Instead, the Delors Report “rapidly underwent a metamorphosis and was soon seen as a prescriptive document”, leading to “a series of remarkable political decisions”. In June 1989 the EC Council decided to proceed to full EMU, with the first stage set for July 1990. The context was the wholly unexpected imminent collapse of the Eastern European states. Ireland came to the fore as a supporter of the EMU plan when it emerged, Haughey agreeing to all Delors’ “principles”, particularly free movement of capital and labour. That course was opposed initially by other EC states, and observers were amazed when Delors proposed in July 1989 the immediate “complete liberalisation of capital transactions”.²⁸

A year earlier, in August 1988, before that EC policy turnaround, Liam Connellan of the CII, in one of the first airings of what would become core Irish strategy, criticised early drafts of Rory O’Donnell’s EEC report for treating the single market as a “closed” economy to which Irish companies should relate. The opportunity, he said, lay in the single market’s function in the wider process of global opening. “One of Ireland’s main advantages”, he continued, was its unique position to exploit the European opening to establish itself “as a gateway to the Single Market for companies from the United States and Far East”. This radical idea quickly gained acceptance, and the NESC report would combine the two perspectives – urging both enlarged EC budgets and regional transfers to effect a rapid convergence for Ireland within the EEC, and a radical opening of capital markets to enable Ireland become a base for global capital accessing Europe. To achieve these twin aims Ireland should ally with the pro-EMU powers and adopt a “vigorous pro-integration position” to “enhance” its advantage “in the practical negotiations”. These conclusions emerging at NESC already in 1988 reinforced Haughey in continuing his 1980-82 alliance strategy at EC Council level.²⁹

²⁸ O’Donnell 1991: 9, 14

²⁹ CII initiative, Connellan CII to Danaher, NESC, 29/09/88, ‘Council Meeting 16/12/88’, NESC Archive, Box 2; “NESC combined ...”, Danaher to Council members, n.d. [16/12/88], on chapter ‘Historical Performance and Future Prospects’, NESC Archive, Box 3

As the CRC had noted, however, the step from NESC proposals to practical programmes, such as the PNR, was essentially a “political” matter, requiring “a conscious political initiative” to “bridge the gap” between NESC strategy and its implementation. Even then, while the CRC could administer programme implementation, impassés would arise that could only be overcome politically. The social partners were acutely aware of the primacy of politics, which was why direct recourse to political power was written into the PNR as a delivery driver.³⁰

Political dynamic: partnership at the “political level”

Social partnership struggled to gain traction for its narrative. While Haughey’s monetary policy determination won widespread approval, few, apart from Brady’s lonely *Irish Times* editorials, recognised the social-productive or “factor-mobilisation” role partnership played. Previous Fianna Fáil leaders had had the *Irish Press* to communicate an authoritative narrative, but Haughey faced a mostly hostile media and had lost even the Colley-supporting *Press* in 1980. Once far more influential than the *Irish Times*, the *Press*, uncoupled from its political purpose, was rapidly declining and finally shut in 1995. Haughey had even to convince his own Árd Fheis of the “miracle their government had achieved”.³¹

Fine Gael was bewildered by social partnership and the PDs ideologically hostile. While this was understandable, Labour’s peculiar resentment of it weakened ICTU’s bargaining position. Attley’s attempt at Labour’s 1987 conference to explain it as a dynamic alternative to Thatcherism in achieving recovery, industrial growth, tripartite planning, and welfare and state-enterprise expansion met only with derision and contempt from a “social democratic” party peculiarly fixated on ridding Ireland of “Haughey”. Even within the unions, whose members were more influenced politically by the general media and political leaders than by internal ICTU discourse, Attley, Carroll, Flynn and Cassells struggled to maintain support for their strategy. While partnership for

³⁰ CRC Sec. Group. Action Points arising from 3rd mtg., 18/04/88, DTA: S25857-D; h/w notes. ‘Sec. Group 16/6/88’, DTA: S25857-F; ‘Functions, Membership and Work Programme of the CRC, SDC and NESC’, SG/70, n.d. [Sept. 1988], DTA: S25857-I; h/w notes, SG mtg. 13/12/88, DTA: S25857-M; Ó hUiginn to O’Sullivan, ‘CRC Sec. Group: preliminary discussion, possible rationalisation’, 13/12/88. DTA: S25857-R

³¹ *Irish Press*, O’Brien, M. 2001; “miracle”, ‘Speech at Cáirde Fáil Dinner’, 04/12/1990, DTA: S25858-Z10

the PD right was an affront to market purity, for the Labour left it was a reprehensible “deal” with a “right-wing government”, or “class collaboration”.³²

Although handicapped by this narrative conflict, interest leaders within partnership understood its ultimately political dynamic. What during the negotiations was called the “political level” was integrated in the PNR in the form of direct recourse to government or the Taoiseach to resolve impasses and conflicts. The CII and ICTU constantly lobbied Haughey and his ministers to advance projects or overrule bureaucratic obstinacy. This differed from traditional lobbying in that rather than favour-seeking it sought to realise consensus-agreed measures, even if the consensus had sometimes been minimal.

An example was ICTU’s meetings with Ahern to advance industrial relations, worker participation and other agreed areas of reform, or, more rarely, with MacSharry, on issues such as the state-owned assurance company, Irish Life, given the “role of the State in the development of the financial services sector provided for in the PNR”. It was from this time that Ahern, who had previously played a secondary, ancillary role, emerged to prominence, being now referred to by the media as “one of the chief architects of the programme”. ICTU used this ever-closer relationship to have departments stalling on PNR commitments to act, such as Environment on the issue of local authority redundancies, which was putting ICTU leaders “under severe pressure from their membership”.³³

Conflicts on such issues, some, though not all, relatively minor, consumed much CRC time, but this was one of its vital functions. Ultimate resolution often required “political level” intervention. The ITGWU warned government that its inaction over issues in semi-autonomous agencies such as health boards, local authorities and the OPW, which it had repeatedly raised on the CRC, “posed a growing problem of credibility for them vis-à-vis their stance on the PNR”. MacSharry had OPW redundancy notices rescinded but they were later re-issued despite the Labour Court concluding they were “probably in breach of that agreement”. The union finally had to have recourse to a direct intervention by Haughey to have the issue resolved. ICTU insisted in 1989 that the public service

³² ICTU ADC 1988

³³ “role of the State ...”, ICTU AR: 223-4; “chief architects”, IT 09/02/90; Arthur O’Malley D/Labour to Pat O’Sullivan D/Taoiseach, 24/05/88, encl. ‘Report of Meeting between M/Labour and ICTU ... on commitments in the PNR’, 20/04/88, DTA: S25857-E

staff embargo, whose continuation at Finance's insistence it said was another "breach of the whole spirit" of the PNR, be urgently reviewed, leading in January 1990 to a summit with Haughey where he finally agreed to end the measure.³⁴

A political driver of the system was also provided by the Dáil opposition's relentless criticisms of job losses despite the "so-called" PNR. Haughey insisted that delivery of the 1988 target of 20,000 new jobs was on course, explaining that the target referred to new jobs, not old ones being shed or overall net employment. Although this was set out in the text of the PNR, ICTU was alarmed by the negative discourse, and requested Carroll and Flynn to press on Haughey the urgency of progressing PNR projects or otherwise it would "look seriously at its position in relation to the Programme". Haughey responded by convening a highly publicised "summit" between his core cabinet and the full ICTU Executive, which concluded with a formal "agreement" to publish an update on progress in PNR jobs initiatives and to appoint a "designated" official to "co-ordinate development projects" in the semi-states and report to the CRC. Following ministerial interventions, within two weeks stalled initiatives were re-activated, especially in the semi-states, and, following several drafts, a report satisfying ICTU (Nevin: "exactly what we wanted"), was published. A further meeting and "Joint statement" followed, stating the PNR was delivering on its commitments.³⁵

A further political dimension was provided by internal pressures in partner organisations. ICTU at its 1988 annual conference only narrowly headed off an attempt to force the Executive to hold a special conference "with a view to withdrawal if the Programme's targets and commitments are not fulfilled". Attley argued that job creation, while slow, was on course, and "for our State

³⁴ 'Report of Meeting between M/Labour and ICTU ... on commitments in the PNR' and CRC, Summary Report of 6th mtg., 26/05/88', DTA: S25857-E; D/Taoiseach, 'Redundancies/Short-time working in OPW', 11/03/88, DTA: S25857-C; D/Taoiseach, note 're AOB_', n.d. [June 1988], DTA: S25857-F; Browne, ITGWU to Haughey, 20/10/88, DTA: S25857-J; D/Health: 'Remuneration of Student Nurses', Note for CRC, 21/06/88; D/Finance, 'Point 4 of ICTU document - Public Service', n.d. [Dec. 89], DTA: S25857-Z; O'Sullivan to O'Gorman, D/Finance, 03/05/89, DTA: S25858-S; CRC, Summary Reports and h/w notes of 14th - 20th meetings, April 1988-Sept. 1989, DTA: S25857-R to Y; CRC SG mtg. 02/05/89 (h/w notes), DTA: S25857-S; "Briefing Material for Meeting between Taoiseach and M/Finance, I&C and Labour with reps EC of ICTU", 23/01/90, 'Position in Relation to ICTU 30 Point Plan' and h/w report of meeting ICTU-Government, 23/01/90, D/Finance, DTA: S25862-F

³⁵ On "new jobs", Haughey in Dáil 02 and 09/03/88; ICTU "concern", ICTU EC mtg. 20/04/88, item 1419; Haughey-ICTU meeting, 'Joint Government-ICTU statement', 18/05/88, GIS: D/Taoiseach, CRC Summary Report of 6th mtg., held 26/05/88, DTA: S25857-E, Internal D/Taoiseach h/w note, 're ICTU document', 26/5/88, and Nevin in Internal D/Taoiseach h/w note, 're ICTU document', 26/5/88, DTA: S25870-C; 'Joint Government-ICTU statement on job creation developments under the Programme for National recovery', 27/05/88, with attached 'Progress on the Provision of Jobs', 27/05/88, GIS: D/Taoiseach

companies, we have started the process of stopping their run-down, and returning them to what they were intended to be, vehicles for job creation". The alternative to a "negotiated" recovery was confrontation, the exclusion of unions and the dismantling of welfare, as was happening in Britain. But he won time by conceding that the Executive had "warned Government that if sufficient progress was not made in particular areas", it would hold a Special Conference where the Executive would "recommend ... that we withdraw from this Programme".³⁶

ICTU continually employed this threat of a membership revolt, Nevin warning Haughey of Congress's determination to oppose privatisation on that basis. Most importantly, anti-PNR sentiment was strong even in the ITGWU, causing Ed Browne to remind Haughey that assurances the previous year on ending local authority redundancies had been "of major significance in determining our members' vote to accept the Programme" and Carroll writing to Ó hUiginn that it had been "no easy job for the platform to convince [the recent ITGWU] Conference of the bona fides of all concerned". "Early and positive indications that the PNR is working and is now going to deliver" were needed, and a mid-term review would be a "major step to this end". Ó hUiginn used this pressure to force departmental action and convince Haughey to agree to a full-scale review.³⁷

On the business side, CII's membership accepted the ultimate potential of the PNR, and its leaders were under little apparent pressure from members. But the FUE remained less engaged and more single-mindedly focused on defending employer interests. This FUE-CII divergence was replicated in the farming sector, where smaller non-negotiating partners such as Macra and the ICOS engaged actively on the CRC, especially on rural development and enterprise plans, while the IFA, under pressure from the ICMSA outside the system, remained its *bête noire*, engaging little other than to oppose threats of tax or social insurance reforms or the strengthening of market dynamics in agriculture. When Tom Clinton was elected IFA President, joining the CRC, Ó hUiginn sent Haughey a gloomy profile, concluding that Clinton would continue the IFA's defensive stance. Clinton didn't disappoint and intervened on the CRC mainly to seek an

³⁶ ICTU ADC 1988: 97-9, 113

³⁷ Nevin ICTU to Haughey, 13/09/88, DTA: S25858-M; Browne at CRC, Summary Report of 8th mtg., 08/09/88' and h/w note, 'CRC meeting 8 Sept 1988', DTA: S25857-H; Browne to Haughey, 20/10/88, DTA: S25857-J; Carroll, to Ó hUiginn, 27/09/88, DTA: S25858-K; Teahon h/w note of SG meeting, 05/10/88, DTA: S25857-I

expansion of CAP, despite Agriculture warning that this was already “at its limit”. Confrontation over farmer taxation dominated the 1989 budget, Ó hUiginn telling Albert Reynolds, the new Minister for Finance, that farm lobby resistance meant only a slow, incremental approach to farmer taxation would be possible.³⁸

At “bilateral” meetings with the IFA, Haughey continued to promote his ideas for a commercialised agriculture, but the IFA, facing similar member scepticism as the ICTU, spoke only of tax, support schemes and CAP. In response to Department of Agriculture requests for proposals to expand the cattle herd to overcome shortages inhibiting expansion of the beef industry – a PNR target sector – the IFA suggested that “a tax incentive to dairy farmers” to produce beef calves “might be appropriate”. To keep farmers on board, government had to slow, though not stop, farmer tax reform. While securing the principle of farmer social insurance contributions in the PNR, and announcing a more than doubling of the farmer tax yield to £80m in 1988, Haughey later had to admit it was a slow process, with that figure being “inclusive of the [tax] amnesty” and the 1989 intake expected to be just over the 1987 figure of £36m.³⁹

The “political level” partnership dynamic was vital to both maintaining or reviving momentum in the PNR and addressing particular grievances animating partners outside the policy consensus. If lobbying is the bread and butter of politics, in Haughey’s social partnership it had the added role of a corrective lever to impasses in the system’s administrative and economic drivers.

Partnership as mobilisation of Total Factor Productivity

Social partnership was itself an economic driver. The PNR was predicated on economic success, and the collaboration contributed at many levels to what economists call “Total Factor Productivity” (TFP), including through “intangible capital”, factors often more critical to success than purely fiscal measures.⁴⁰

³⁸ Interviews with Power, O’Sullivan; ‘Row over PRSI Report’, *Irish Farmers’ Journal*, 09/01/88; ‘Woods Receives Pension Board’s Report on Extension of Social Insurance to the Self-employed’, 14/01/88, GIS: D/SW; J.T [= Travers]. ‘Meeting between An Taoiseach and Tom Clinton, President designate of IFA’, 06/01/88: h/w memo – “for file”. DTA: S25858-D; CRC, Summary Report of 6th mtg., 26/05/88, and D/A&F, ‘Beef Cow Herd. Material for Reply to CRC’ 25/05/88, DTA: S25857-E; Ó hUiginn to Albert Reynolds, Min/I&C, 28/02/89, and to Ó Mary O’Rourke, M/Education, 31/01/90, DTA: S25857-R

³⁹ ‘Meeting of the Taoiseach, M/F and M/A&F with reps of IFA, ICOS and Macra na Feirme under the PNR’, 13/11/87, DTA: S25857-B; ‘Specific Measures’, 15/02/88, DTA: S25857-B; Haughey in Dáil, 02/03/88; ‘CRC: Summary Report of 8th mtg.’, 08/09/88’, DTA: S25857-H; Haughey in Dáil, 01/02/89

⁴⁰ Klein and Ventura 2019

Economic policy was tightly controlled by Haughey's inner cabinet, a triumvirate of gifted ministers – MacSharry (Finance), Ahern (Labour) and Reynolds (Industry and Commerce). Reynolds was to be promoted to Finance in January 1989 when, as Haughey had agreed, MacSharry, having overseen two budgets to secure the decisive monetary adjustment, would move to the EC Commissioner role. Other ministers, senior or junior, were kept far from the levers of little more than petty patronage, or brought into line when they caused problems, as in O'Kennedy's climb-down over his Teagasc board appointments.⁴¹

Haughey saw government's primary role as managing a credible monetary adjustment and encouraged the social partners to be pro-active in economic planning. The CRC relentlessly studied industrial data, analysing successes and failures. Its meeting of 26 October 1988, which would mark a turning point, focused on job creation, with members interrogating officials from across departments. The documentation Ó hUiginn ensured was provided detailed job gains and losses by sector and region, with the IDA's Pádraic White reporting on these and "pipeline projects". Industry and Commerce was adamant that new-job targets were being met and that the 20,000 target for 1988 would just about be delivered. But demographic factors meant that unemployment would barely fall. The CRC was as determined to highlight success, even accepting casuistry such as I&C's explanation that target achievement would involve combining 13,000 actual new jobs and 7,000 "recoveries of jobs lost". That "old" jobs would continue to be lost in declining sectors was accepted. All partners agreed to a "Joint Statement" confirming that the PNR was delivering as planned.⁴²

ICTU urged that the PNR successes be publicised, but employers refrained from extolling partnership and initially opposed a Joint Statement. But when Ó hUiginn stressed the need to counter relentless media negativity, which was dampening investor confidence, the FUE conceded the need to "get the message across" that there was "lots of good news". Agreeing the media was "not presenting a very favourable picture on the progress ... achieved", FUE leader Jim

⁴¹ See Chapter 6

⁴² 'Statement by CRC on Progress in Job Creation, revised Draft' 24/11/88, and D/I&C, '20,000 Target for Manufacturing/International Services - Progress Report', Aug. 1988, DTA: S25857-G; IDA, 'Updated Progress on Provision of Jobs under PNR', 21/10/88, DTA: S25857-J; CRC, Summary Report of 9th mtg., 26/10/88, 'Review of Progress ... and evaluation of their impact on the objectives of the programme', 21/10/88, and Padraic White, IDA, 'Presentation. PNR. CRC. October 1988', DTA: S25857J-2

O'Brien agreed to sign the Statement. Another FUE official afterwards told *The Irish Times*: "Today cleared all the hot air. There was a general acceptance of the figures ... [and] solid evidence that new jobs are developing ... The scale might be modest but the trickle was gaining momentum". Even farmers' groups were enthused, with IFA obstinacy mellowing as farming enjoyed its best year in a decade, output exceeding £3bn for the first time and incomes rising 17 per cent. Seán Dorgan, I&C Department secretary, stated simply: "It's working".⁴³

A particular concern of ICTU was the role of state industries, where it organised 88,000 workers, the most powerful force in the movement apart from the public services. In 1987 it had made the semi-states its main issue in the election, circulating 100,000 copies of a leaflet opposing privatisation and extolling the potential of the semi-states. Haughey had assured it of his commitment to an "efficient and effective semi-State Sector as a major instrument of economic development". He cited the Aer Lingus engine-overhaul subsidiary, Airmotive, which he had opened in 1981, as "an example of the type of development we had in mind". David Begg, leader of the telecom union CWU, reflected the view of many public sector trade unionists when he declared: "we favour a centrally-planned and controlled economy relying heavily on State-led investment to the semi-State Companies to create jobs". Official ICTU policy was more nuanced and supported sectoral expansion through joint ventures with private capital, an aim whose inclusion in the PNR it secured.⁴⁴

ICTU was not the alone in advocating for state industries, with the business group, the CII, which had most such companies as members, championing their expansion while seeking stricter performance criteria and joint ventures, as well as calling for increased sub-contacting and outsourcing of public services.⁴⁵

When negotiating the PNR, Haughey boosted his credibility with ICTU by convening semi-state executives to impress on them "the importance which

⁴³ 'Jobs: ICTU keeps up the pressure', *Irish Independent*, 27/10/88; "14,500 new jobs created", *Irish Times* 27/10/88; 'Vigorous job creation programme needed', *Cork Examiner*, 27/10/88; 'Statement by Michael O'Kennedy ... launching the Annual Review for the Agriculture and Food Industry', 18/01/89, GIS: D/A&F: CRC, Summary Report 9th mtg., 26/10/88 and h/w notes CRC 26/10/88, DTA: S25857J-2

⁴⁴ O'Dowd, J. ed. 1989: 51; ICTU 1987; ICTU EC mtg. 18/02/87; Haughey to Cassells, 20/01/1987, DTA: S25862-F; Begg at ICTU ADC 1988: 117; PNR V and Appendix, 'State-Sponsored Bodies – Proposals'

⁴⁵ 'The Complementary Roles of Public and Private Enterprise', *CII Newsletter*, 13/04/82; 'Growth Industries with Employment Potential', *CII 8th Annual Careers in Industry Conference*, 19/09/86, Power Papers; 'Participation in State Enterprise', *CII Newsletter*, 24/02/87; 'Swedish Example backs State Participation Case', *CII Newsletter*, 28/04/87; Power 2009: 93

Government attached to the developmental potential of the State-sponsored sector” and seeking proposals for expansion through joint ventures with private capital to “contribute to the Programme”. He established a “Working Group” of semi-state chiefs to report on the sector’s “developmental potential”. Many specific projects resulting from this process were included in the PNR and from early 1988, assisted by the IDA, many were operationalised. ICTU’s stubbornness bore fruit, with Aer Lingus, already Ireland’s largest company both in capital and employment terms, outperforming all private sector companies in 1988.⁴⁶

A key factor in 1988-89 was a decline in disputes and the achieving of wage certainty and “industrial peace”. That pay disputes rarely surfaced was due to how the PNR was structured and other factors, examined in chapters 8-10. The PNR set wages and disallowed strikes over “cost-increasing” claims. Although most strikes in the 1980s had been in the public sector, the PNR gave employers wage certainty and prevented a wage-inflation “spiral”. The role of the Labour Court and acceptance of its application of PNR terms was critical. Compliance with the PNR across industry, by both “sides”, was almost total, and strike days plummeted spectacularly in 1988 to a tenth of the 1979 figure, and in 1989 to “their lowest level since the State was founded”, as Ahern put it. The few strikes that did occur concerned redundancy terms or changed work practices.⁴⁷

Ireland’s newfound “industrial peace” made the PNR the talk of the global business world and a “key factor” enabling the IDA secure the first growth in FDI since 1980. This was intangible capital of major value, enabling partners and government to consider a fundamental reform of industrial relations such as had eluded them for decades. The PNR agreed “discussions” to create “a better framework for collective bargaining and dispute settlement” conducive to “employment-generating investment”. Ahern, eager to make his mark, used this modest phrase to initiate a major reform. He started the “discussions” as the PNR

⁴⁶ ‘Statement on Meeting of Taoiseach with Chief Executives of State-sponsored bodies’, 22/06/87, GIS: D/Taoiseach; ‘Aide Memoire. Meeting between Taoiseach and Consultative Group of Chief Executives of State Agencies, 22 June 1987: Main Conclusions’, DTA: S25857-E; ‘Development Proposals – Mechanical Engineering Sector. Notes arising from meeting at IDA offices on 15 February 1988’, S25857-C; J. Lloyd, IDA: “Engineering Proposal for SSBs is going well ...”, n.d. [April 1988], DTA: S25858-G; Malcolm Taylor, D/T&T, to O’Sullivan, D/Taois., 07/03/88: re Aer Lingus-Aeroflot talks, DTA: S25858-F; Sweeney 1990

⁴⁷ ‘Strikes, Redundancies and Unemployment fell in 1989 – Annual Report of the D/L’, 30/03/90, GIS: D/Labour; CRC, ‘Progress Report. Preliminary Draft’, Nov. 1989, DTA: S25857-Y; D/Lab. ‘Briefing for T’s meeting with the ICTU on 24 Nov.’, DTA: S25862-D; Sweeney 1990: 26; ‘Speech by Mr Bertie Ahern ... at the formal announcement of the Framework Agreement on Hours of Work’, 17/02/89, GIS: D/Labour

was still being negotiated, and in February 1988 the *Irish Press*, reporting a Bill in preparation for autumn, stated that “his approach would be completely different to that of the British Government - Their aim was to smash the unions: his was to strengthen the position of union executives”. The bill was not presented to the Dáil as employers initially rejected it and both Fine Gael and Labour threatened to oppose some of its provisions, for opposite reasons. Though not legislated until 1990, its proposals curbing picketing, strengthening union authority and instituting a ‘Labour Relations Commission’ as a powerful conciliation tool, signalled the determination of government to establish a north European-style industrial relations system. The 1990 Industrial Relations Act was unthinkable without social partnership, and provided a further economic growth driver.⁴⁸

Through its role in planning, co-determining semi-state development, deferring social and wage costs, calming industrial relations and providing wage certainty, social partnership contributed key TFP factors to economic recovery. Haughey’s attempt to explain this to the Dáil was met with opposition derision, Bruton scoffing at this “programme of so-called national recovery” and de Rossa demanding to know following the historic October 1988 CRC meeting if “the question of disadvantaged people in our society [had been] raised by any of the social partners”. Partnership was still a besieged concept.⁴⁹

Measuring the economic role of total factor productivity is complicated by the sometimes protracted and complex nature of such “intangibles” as “labour quality”, one of the elements of it highlighted by Klein and Ventura. The delayed impact of the introduction of free secondary education in the late 1960s – recognized already in the 1990s - is a case in point. This had effectively been forced on government by Donogh O’Malley’s surprise announcement in 1966, though in coordination with Lemass, during the absence abroad of the then Finance Minister, Jack Lynch and against the advice of an “appalled” T.K. Whitaker, who in what Carl O’Brien called a “scalding memo” to Lemass had “raged against the proposal”. While secondary school completion grew by leaps and bounds, it was still only 60% by 1979. A network of regional technical

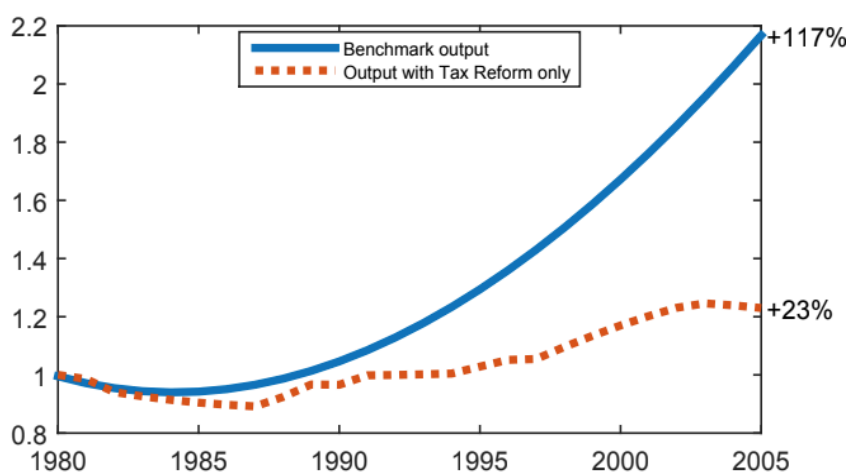
⁴⁸ Interviews with White and Ahern; PNR, Section VI/5; ‘Discussion Document’, 30/11/87, GIS: D/Labour; *The Irish Press* 04/01/88; CRC, ‘Specific Measures ...’, 15/02/88, item 125, DTA: S25857-B; Dáil debates, 10/03/88; ‘Minister’s Proposals: Mixed Reactions Likely’, *IRN Report*, 25/02/88

⁴⁹ Dáil, 08 and 26/10, 08/11/88

colleges initiated under the Third Programme, along with initiatives like the two NIHEs, provided an expanding tertiary skill production base, but these too only came to fruition by the 1980s. The coming to maturity of the first generation to widely benefit from this educational widening accounted for much of the “labour quality” aspect in Klein and Ventura’s study. Access to 3rd level education places was still restricted in the 1980s, but the PNR inaugurated a further expansion of provision and, as importantly, of access that would widen the skill base greatly. Education, however, was only one, if a major TFP factor.⁵⁰

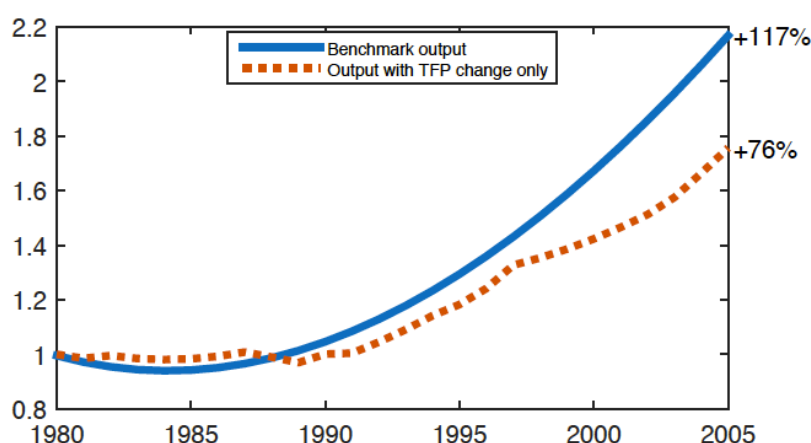
Other TFP factors provided through social partnership included a range of “intangible capital” inputs such as co-ordinated long-term planning across departments and new support programmes in welfare, education and social policy. These delivered value growth in human resource factors critical to the reconfigured higher-value economic model being pursued, especially expanding the labour force participation of women and previously excluded social groups.

Analysing the 1980-2005 period in terms of TFP effect, Klein and Ventura show that, contrary to widespread assumptions, only a subordinate proportion of 23% of output growth was attributable to business tax changes alone:



Further controlling for expenditure cuts, they find the combined impact of tax and state expenditure changes in 1987-2005 rising only marginally, to 27%. But when TFP factors from 1988 are included – especially capital opening policy - these alone account for 76 per cent of output growth, i.e. the great bulk of it:

⁵⁰ “TFP”, Klein and Ventura 2019; “recognised in the 1990s”, Kennedy, K. 2001; “free education” Chambers 2015: 176-78; “appalled”, Des O’Malley, *Irish Independent*, 05/01/17; “scalding memo”, Carol O’Brien quoted in O’Riordan 2019, Pt. 7



In other words, “intangible capital” and policy matter, much of it enabled by social partnership, which was thus not only an important but arguably a decisive factor in the economic take-off. As a set of co-ordinated policy and input changes, partnership represented a significant policy paradigm shift in itself. Klein and Ventura also contend that even without capital opening, the other TFP factors added in 1988-89 – which this thesis groups as the social partnership effect – would, in conjunction with the tax/consumption policy changes, have caused significant GDP growth anyway, of 55 per cent, i.e. half the extraordinary growth actually achieved. Thus, even without the opportunity of globalization, a less dramatic but still substantial economic improvement would have been achieved due to the 1987-89 policy departures, including social partnership.

But the optimism of the CRC meeting of 26 October 1988, despite the continued negativity of the media and Dáil opposition, also had a further basis - a breakthrough achieved that very same day in Brussels which, as Haughey would later describe it, would take the recovery plan to “a new plane of development”.

Leveraging Europe: the “National Development Plan” (NDP)

The nature of the PNR and of the social partnership structure it created would change dramatically in 1989. Its interaction with new opportunities emerging through European policy exemplified the flexibility of the PNR as a policy system.

The PNR’s economic plan was focused initially on national-economic drivers. Irish living standards were just over 60 per cent of the then EEC-12 average and the “EC Dimension” of the PNR was notably cautious, committing only to implement the SEA, defend CAP, protect the indirect tax base in EC

harmonisation, and seek an expanded EC education programme. But it also – decisively – agreed to fully support the “Delors Plan”. That consensus on this was achieved was a significant feat in itself. That statement would form the basis for a far more ambitious policy departure as Haughey aligned Ireland, and the PNR partners, with one side in an opening fundamental European policy conflict.

The “Delors Plan”, published in February 1987, was a Commission proposal to complete the internal market by 1992. It sought an increased EC budget - highly contested by net-contributor states - to double structural and social funding (ERDF/ESF) to offset the single market’s centripetal economic dynamic through a “convergence” process by funding regional/social infrastructure in “less developed regions”. Irish Commissioner Peter Sutherland sided with the free marketers in opposing “anti-competitive” tendencies and social policy “impositions” in the Delors Plan. But even before the plan appeared, Haughey, in opposition, criticised FitzGerald for supporting a “one sidedly ... monetarist” single market project, demanding strong regional and social investment programmes. European trade unions, including the ICTU, shared this view.⁵¹

The EC Council, after much wrangling, with the Department of Foreign Affairs pessimistic of the outcome, finally adopted a diluted version of Delors’ plan in February 1988, five months after the PNR was signed. The content of the plan, managed by the Commission and involving “multi-annual”-funded “operational programmes” (O/Ps) - a novelty for Ireland with its strictly annualised budget tradition - was to be clarified during 1988, but member states were to prepare proposals, for submission, negotiation and eventual sign-off by early 1989. Precise programmes would then be agreed, and transfers begin in 1990.⁵²

When the Delors Plan first appeared, just weeks before he became Taoiseach, Haughey had grasped its potential: “The far-reaching significance of that Plan and the historic opportunity it presented ... to accelerate our economic and social development was immediately obvious”. At his first European Council in March 1987, which was still divided over the plan, he unequivocally backed Delors’ proposals, saying a successful single market depended on “greater economic and

⁵¹ EC Commission 1987b; Sutherland 1999; Dølvik 1999: 24-7; ICTU AR 1987

⁵² On D/FA “pessimistic”, F.M. Hayes, Dep. Secretary, D/Foreign Affairs, to J. Travers, D/Taoiseach, 17/12/87, DTA: S25858-C

social cohesion". Helmut Kohl, in discussion with Haughey, admitted that Germany realised that "the latter [was] a necessary condition of the former".⁵³

Structural funding had hitherto provided a minor, if growing, contribution to Ireland's Public Capital Programme (PCP). In 1986 the NESC did not yet foresee it playing more than a minor role in development. ERDF had increased from just 1.6 per cent of the PCP in 1976 to a significant but still ancillary 10 per cent (£239m) in 1988, the last pre-Delors allocation. Finance prided itself on how "Ireland has consistently been one of the most successful Member States in taking up the money available from the ERDF". But under Delors, which would more than double Ireland's allocation to 30+ per cent of the PCP given its weighting to "less developed" regions, Finance believed ERDF would henceforth drive the PCP, and urged credible projects to ensure full drawdown.⁵⁴

Haughey had a radical idea for combining the usually diffuse ERDF funding, ingenuously proposing Ireland apply as a single region, with seven "sub-regional" programmes, but framed as a whole as a "National Development Plan" (NDP). He further proposed, in line with Delors' thinking, that it be developed involving local interests and agencies, and include the private sector.⁵⁵ The government intention, he told the Dáil, was "to avail of the opportunity to formulate a comprehensive investment plan ... to overcome the economic and social deficiencies that are holding us back". All planning was to be aligned and integrated with the PNR and social partnership made central to it. This framing of disparate structural fund projects as a "national plan" was utterly novel, and greatly enthused Delors. Haughey described the NDP as an "extension" of the PNR, "consistent with its objectives" and bringing it to a "new plane of development". He established a "Committee on EC Coordination" of senior officials and CRC "social partners" to prepare for the single market.⁵⁶

The mandarins at Finance were appalled at Haughey's extending social partnership over what they saw as their preserve, warning Teahon to disabuse

⁵³ Haughey in Dáil, 01/02/89 and 23/03/87

⁵⁴ NESC 1986; D/Finance, 'Future Development of ERDF', 14/03/88, S25857-C

⁵⁵ EC Commission 1987b; W. Kirwin to Pat O'Sullivan D/Taoiseach, 23/03/88 attaching 'Programmes for E.C. Funding' and 'Revised Draft Framework Regulation issued 16/03/88, CRC 39, DTA: S25857C; O'Connell, D/Env., to Helen Kehoe, D/Taoiseach, 12/05/88, DTA: S25857-E

⁵⁶ Haughey in Dáil, 12/04/89; CRC, 'Summary Report 5th mtg.,' 28/04/88', S25857-D. CRC members of the Joint Committee were Connellan (CII), Cassells (ICTU), O'Brien (FUE), Hennessy (CIF), Collier (Macra), Whelan (ICOS) (D/Taoiseach, 'Preparation for Completion of EEC Internal Market', DTA: S25857-E)

the CRC of the idea that it would play a substantial role: “no decisions have yet been taken on how the overall national development plan ... will be prepared”. To avoid antagonising Finance, Ó hUiginn told the CRC it might at best expect to be consulted, and instructed officials to refrain from mentioning a social partner role. But he advised government that it would be “difficult to see how we can avoid consulting CRC bodies on any plan involving an evolution of the PNR”.⁵⁷

Following Haughey’s statement of his intention to integrate the NDP and PNR, the CRC, seeing itself as “the appropriate forum in which to consider the overall ... plan”, now demanded a role in drafting it. In July 1988 government ordered that structures representing social partners and local interests be formed to advise and assist the drafting of the “sub-regional” plans, and that the overall NDP on completion be submitted to the CRC for approval before finalisation. Finance, as yet, would retain the chairmanship of the planning groups, responsibility for coordination, and “a final say” on programme specifics.⁵⁸

A first draft NDP was produced, following a similar format to the PNR and aligned with it. Its aim was to stimulate growth locally and nationally, reduce unemployment and “raise per capita incomes towards average Community levels”. Additional training and labour market programmes would be financed through the European Social Fund (ESF). Haughey urged CRC partners to mobilise their local structures in the planning process, which they did. This participative planning was unique in Europe, and so impressed Delors that he promoted it to other countries as a model to emulate.⁵⁹

The CRC meeting of 26 October 1988 which, as described in the last section, had trawled through government and IDA reports, confirmed the economy had “turned a corner” and publicly endorsed Dorgan’s view of the PNR (“it’s

⁵⁷ Tutty to P Teahon, 20/04/88, S25857-D; Ó hUiginn in h/w notes for mins., 4th CRC meeting 24/03/88, DTA: S25857-C; W. Kirwan to Teahon, ‘Paper for meeting of the CRC 28 April’, 26/04/88, S25857-D

⁵⁸ CRC, ‘Summary Report of 6th mtg.’, 26/05/88, DTA: S25857-E; h/w notes, Secretariat Group, ‘SG CRC 29/7/88’, DTA: S25857-F; Government decision in Dermot Nally, Runaí an Rialtais, to an Runaí Príobháideach/An tAire Airgeadais, 26/07/88, DTA: S25857-F; D/Finance, ‘Confidential - Background Briefing for SRC Secretariat Meeting’, 24/8/88, and D/Finance, ‘Note for CRC Secretariat: Consultative Process on Regional Programmes for EC Funding’, 26/8/88, DTA: S25857-G; Nally to Private Sec., M/Finance 23/09/88, attaching D/Finance ‘Aide Memoire’ agreed by government, DTA: S25857-

⁵⁹ D/Finance, ‘Outline of National Development Plan’, July 1988, DTA: S25857-G; on Haughey and local social partner engagement, h/w note of meeting, SG, 05/10/88, DTA: S25857-I and ‘Action Points ... from SG mtg. of 5 October’, 12/10/88, DTA: S25857-J; ‘EC Structural Funds: Discussion at CRC Sec. Group, 5 Oct. 1988’ (internal D/Taoiseach use only); ‘Statement by the Taoiseach on NESC Report *Ireland in the European Community*, Dáil, 24/10/89

working”), also reviewed preparations for the NDP. Ó hUiginn told it of a major breakthrough: civil servants who had just met Delors had been told how the Commission was “very impressed” with the PNR and would fund the proposed NDP sectoral plans aligned with it with a £700m package. Furthermore, Brussels had agreed an extra programme to “create jobs in employment blackspots”.⁶⁰

Drafting the NDP brought the PNR, in Haughey’s words, to a “new plane of development”, with the NESC tasked with developing European strategy, the CRC given oversight of the NDP, and local social partners integrated into planning its “sub-regional programmes”. Haughey described the NDP’s as aimed to overcome the “costly impediment of our peripheral location” and the wide involvement in its planning “generat[ing] a great country-wide effort ... in support of this plan”. Speaking for him in the Dáil, Lenihan said the approach would “become an integral part of the State’s whole economic and social planning in the future”.⁶¹

Partnership and the Haughey-Delors “alliance”

The October 1988 breakthrough when Brussels endorsed Ireland’s “NDP” was the result of a deliberate strategy. On the EC Council Haughey had nurtured a rapport with Francois Mitterand, who he had hosted on a private visit to Ireland in March, and successfully pressed Ireland’s case on Helmut Kohl. Framing Ireland’s ERDF/ESF programme as a “National Plan” enthused Delors. These three leaders were determined to progress EC integration against opposition led by Britain, with Kohl and Mitterand sealing their alliance at a symbolic renewal of the 1963 De Gaulle/Adenauer Élysée Treaty. Thatcher’s famous Bruges speech opposing a “new state ... imposed at a European level” had been made just weeks earlier, in September, and both the Commission and the Franco-German leaders needed allies. Haughey assured them that Ireland would be one of these.⁶²

Haughey’s enthusiasm for Europe had always gone beyond the generalised small-state/Commission confluence of interest often ascribed to Irish policy. As Minister for Finance in 1967 he had been involved in the renewed EEC application, during which he was present at de Gaulle’s reiteration of his

⁶⁰ CRC, ‘Summary Report of 9th mtg.’, 26/10/88, DTA: S25857J-2; ‘14,500 new jobs, *Irish Times*, 27/10/88

⁶¹ Haughey, ‘Speech at launch of “NDP 1989-1993”, 31/03/89, GIS: D/Taoiseach; Lenihan, Dáil 26/10/88

⁶² Élysée Treaty, ...; Thatcher, ‘Speech to the College of Europe’, 20/09/88, <https://www.margarethatcher.org/document/107332>

opposition to British membership, and in Dublin argued in favour of pursuing membership regardless of Britain. As Taoiseach in 1979-82 he had aligned with Germany, agreeing at a meeting with Chancellor Schmidt that rapid European integration was an existential necessity. On again becoming Taoiseach in 1987, and against considerable opposition from Foreign Affairs, he moved European policy to the Department of the Taoiseach, appointing Máire Geoghegan Quinn, who would later become Ireland's first woman cabinet member since Markievicz, to co-ordinate European policy. As soon as the SEA was passed, he mandated the NESC to draft a European strategy and, in a remarkable feat given social partner divergence over the SEA six months earlier, succeeded in having a consensus integrationist position on the "EC Dimension" included in the PNR.⁶³

Haughey personally led European strategy, launching a "new departure in Irish governmental organisation" by establishing a "Committee of Ministers and Secretaries", chaired by himself, to "take control and direct preparations" for the Single Market. Following Brussels' approval of the NDP, he presented it as a plan jointly developed through the "unique" Dublin-Brussels "partnership". Delors reciprocated and, in Dublin to "cement and deepen" what he called the new "partnership between the European Commission and the Irish Government", issued an unprecedented joint statement with Haughey describing this "historic partnership" as based on a common will to both "integrate European and national policies in a common plan to develop the Irish economy", and progress European "economic and social cohesion". "By our actions, the policies of the Community and those of the Irish nation will be fully and effectively combined and integrated". Ireland would "fully coordinate its policies with those of the Community to create an efficient and competitive [Irish] economy". It was agreed that Haughey's EC Committee collaborate with a Commission "task force headed by President Delors", that the two would "meet regularly" to ensure policy was "fully co-ordinated" on both the NDP and European integration, and that Ireland would support rapid freeing of capital movements. Delors also assured Haughey

⁶³ On Ireland/Commission relationship, FitzGerald 1991 and Brennan 2008; on Haughey, France, Germany and EEC membership, see chapter 2; on D/FA "resistance", Delaney 2001; 'EC Dimension', PNR, I; on social partners and SEA, Hourihan 1996: 90-1

that NDP approval deadlines would be met. This “partnership” was unprecedented, the Commission describing it as “so far unique” in EC history.⁶⁴

In developing the NDP, Haughey used this “unique partnership” to secure key policy goals. Ó hUiginn sought a front-loading of 1989 current-round ERDF funding to free budget provision to meet PNR commitments in 1990. He argued this on the basis of the need for continued “restraint on Exchequer borrowing ... in line with Community guidelines”, warning that “we are likely to have difficulties with the social partners, particularly the ... unions, unless the 1989 Budget can indicate ... additional resources for job creation”. While this was not disclosed to the CRC, such was the new relationship with Brussels that the request was approved. Ireland also secured the maximum intervention rate of 75 per cent and a per-capita allocation far in excess of any other member state.⁶⁵

The final draft NDP was completed by the January 1989 deadline. Following a lengthy meeting, the CRC issued a “Joint Statement” “endorsing” it and committing to cooperate in developing its “sub-regional programmes”. The Commission, impressed by Ireland’s focused planning, its intention “to spread the projects of the [NDP] Programmes throughout the country” and its integration of the structural-funded NDP with the PNR, praised the “thorough and comprehensive work presented by the Irish Government”. Delors was particularly taken with its local and social partner involvement, which Haughey stressed were Irish innovations the Commission had not specifically sought.⁶⁶

Government proposed another innovation which, in a series of concessions, Brussels also approved. This was for private investment to be eligible for EC co-finance, prohibited under the 1986 ERDF regulation. Haughey argued it was indispensable to enable the NDP proceed while maintaining budget discipline, though it also of course reflected the private sector-centred ethos of the PNR. Government first sought this for the plan’s roads programme, which it argued

⁶⁴ On EC Coordination Committee, Haughey in the Dáil 01/02/89; Haughey-Delors, ‘Joint Declaration by the Taoiseach, Charles J. Haughey, TD, and President Delors on the Economic and Social Development of Ireland within the European Community’, 28/10/88, GIS: D/Taoiseach; on Delors’ “persona assurance”, h/w: ‘Notes – CRC SG 31/8/88’, DTA: S25857-G; and “so far unique”, ‘Joint Declaration after the Meeting between the Commission and the Members of the Irish Government’, Bxl. 16/01/89. Comm. IP (89) 13

⁶⁵ Ó hUiginn to Antonio Costa, DG II, Commission of the EC, 19/12/88, and, on secret strategy, O’Sullivan to Sec. [= Ó hUiginn], ‘re CRC mtg. 11 January’, 05/01/89, DTA: S25857-N

⁶⁶ CRC, ‘Summary Report of 11th mtg.’, 11/01/89, DTA: S25857-N; ‘Government Statement’, 11/01/89, GIS: D/Taoiseach; ‘Joint Declaration after the Meeting between the Commission and the Members of the Irish Government’, Bxl. 16/01/89; Haughey in Dáil 01/02/89

the Exchequer alone could never finance. Delors approved it in principle within weeks. It then sought and secured the same exemption for infrastructure generally, especially water facilities for which an extensive modernisation was planned. Government had secured EIB loans when establishing Coillte to fund PNR forestry and timber industry projects, which had enabled “record planting” and new industrial plants in 1988. Haughey now sought approval for this sector too to be eligible for private/ERDF co-financing, securing an amendment to the relevant ERDF regulation. Dublin similarly and successfully lobbied for the same for tourism projects, which Ó hUiginn triumphantly reported to the CRC in June 1989 the Commission now “fully accept[ed]”. The principle was later extended to private/community co-financing of local development projects.⁶⁷

The socio-economic strategy of the PNR, as with those of Lemass, was focused solely on the economy of the Republic. While having an “EC Dimension”, it made no mention of Northern Ireland. Business organisations had neither a presence nor members in the North, and viewed the attritional conflict mainly in terms of its impact on southern economic development, deterring investment and foreign trade. Although ICTU had a third of its membership and played a significant role in the North, it kept this separate from its activities in the south. But, like Pádraic White of the IDA, ICTU leader Phil Flynn had grown up in a depressed border county. A prominent republican whose father had endured discrimination and unemployment in the North, it was Flynn who first raised the potential of EC funding for cross-border projects under the NDP. Finance had mentioned this possibility, but dismissed it as probably limited to minor initiatives. Flynn persisted, stressing that the single market meant the border would be “gone other than [for] security”, but Finance countered that more ambitious initiatives would be “difficult to implement”. But Ó hUiginn, who was a republican in a similar sense to White and Haughey, called the Finance secretary, Tutty, to task, reminding him of the AIA study groups, which could develop relevant proposals.

⁶⁷ Discussion of ERDF regulation and Irish strategy, h/w notes ‘CRC meeting’ 08/09/88’, DTA: S25857-H; Haughey’s justification in Dáil, 12/04/89; on Delors approval for roads, CRC, ‘Summary Report of 7th mtg.’, 30/06/88’, DTA: S25857-F; extended to infrastructure, CRC, ‘Summary Report of 8th mtg.’, 08/09/88’, DTA: S25857-H; on EIB loans for forestry/timber, ‘European Investment Bank funds for Forestry’, 15/12/88, GIS: D/Energy, and Denis Mehigan, Private Sec., to Pauline O’Shaughnessy, D/Taoiseach, ‘Briefing material for D/Taoiseach for reply to letter from P. Cassells regarding Leinster Paper Mills’, 06/02/89, DTA: S25857-O; on private/ERDF extension to forestry/timber, ‘EC Action Programme to aid Irish forestry’, 29/05/89, GIS: D/Forestry; and tourism CRC, ‘Summary Report of 16th mtg.’, 22/06/89, DTA: S25857-U

This was a small beginning, but would lead to a growing cross-border economic element in the NDP that would later be of significance in the “Peace Process”.⁶⁸

If the NDP and Delors Plan were the framework for the beginnings of a new aspect of North-South development, they also shaped a new left/right alignment in Europe that brought the ICTU, and much of the Irish Left, closer to the EC. Following union opposition across Europe in 1987 to the “one-sided” free-market orientation of the SEA, Delors sought to win labour to the single market by dramatically announcing, at the ETUC conference in May, the re-activation of EC-level “collective bargaining” through a “European Social Dialogue” he had first announced in 1985 and had included provision for in the SEA. Even in Britain, where the TUC had long been hostile to the EEC, he enthused trade unionists with his call to them to join in building a “Social Europe”, unveiling at their conference in September 1988 his proposed “European Charter of Workers’ Rights”, which he promised would form part of the 1992 Treaty. His speech, to which Thatcher’s Bruges address the following week was a direct riposte, reportedly “electrified” delegates, who gave him a standing ovation, singing “*frere Jacques!*” (Delors was a former union official). Unions across Europe, including Britain, rallied to Delors as representing a “social capitalism”, the “optimistic” opposite pole to Thatcherism. ICTU was equally enthused, and its endorsement at the October 1988 CRC meeting of the NDP and the government’s case that an Irish recovery was underway was critically influenced by it.⁶⁹

Both business and unions in Ireland threw themselves into planning for the NDP. The promise of Europe dissipated residual sympathies for Thatcherite policies among Irish employers, though these had always been more muted in the CII. Planning workshops by partner organisations on Europe followed. The newly optimistic farming groups hosted meetings on CAP and rural development, and ICTU a large event on the European “social dimension”, which Delors himself addressed. Haughey was also due to attend but could not due to

⁶⁸ On the North and the economy, Reynolds 2009: 124-5; CII view, Power 2009: 25; on ICTU Northern role, ICTU ARs 1971-89; Tutty on the possibility, in ‘£239 million Regional Fund assistance for Ireland’, 06/01/88, GIS: D/Finance; Tutty, Flynn and Ó hUiginn in h/w notes for Minutes 4th CRC meeting 24/03/88, W. Kirwin to O’Sullivan D/Taoiseach, ‘re ‘rogrammes for EC Funding’, 23/03/88, DTA: S25857-C, h/w notes of Secretariat Group mtg., ‘SG CRC 29/7/88’, DTA: S25857-F, and CRC, ‘Summary Report of 9th mtg.’, 26/10/88, DTA: S25857J-2

⁶⁹ EC Comm. 1988b, c; Lee, D. 2010; Lange and Teague, 1992: 24; Hourihan 1996: 70; McGinley 1999: 128-9

illness, his speech being delivered by Lenihan. While the ICTU quibbled with aspects of the Delors Plan, especially the “inadequate” scale of ERDF transfers envisaged in terms of Irish needs, it embraced Delors and the “Social Charter”.⁷⁰

The Dublin-Brussels “special partnership” did not preclude more traditional practices, the Department of the Environment, for example, reporting its continued “strictly confidential” policy in defiance of EC rules of covertly “promoting import substitution” by favouring Irish materials suppliers in public construction contracts. Nor did the “partnership” deter government from dissenting from Commission proposals it disliked, strongly resisting hasty VAT harmonisation or, to the relief of civil servants and business, when Ahern joined Britain in opposing the Vredling Directive on worker directors in July 1988.⁷¹

But the “alliance” with the Commission was a very real one, of mutual benefit. Ireland reciprocated the special consideration it received by – as NESC advised – consistently supporting Franco-German integration policy and fast-tracking the liberalising of capital movements ahead of others, though this accorded with government strategy anyway. As already the “most open economy in Europe”, Ó hUiginn told the CRC, Ireland stood only to gain from open EC public tendering, a position also advocated by the Department of Finance, CII and government.⁷²

Before the finalised NDP was approved by Brussels in March 1989, it was again sent for CRC’s “consideration” and only submitted following its endorsement. Additional Social Funding (ESF) for unemployment measures was added in June. The NDP involved a total investment of £9.7bn, including £3.9bn ERDF, but with much of the Irish input from the private sector. Haughey hailed the 75 per cent intervention rate and eligibility of private investment, saying the NDP would thus achieve its goals without being “a burden on the Exchequer”.⁷³

With Brussels’ final approval of the NDP in April 1989, and following the role of the unions in drafting it, Congress seized on Haughey’s commitment to partnership as “an integral part of the State’s ... planning in the future” to secure

⁷⁰ On CII/FUE, Power 2009 and Interviews with O’Sullivan and Power; for ICTU event, ICTU 1988b and c

⁷¹ On “import substitution”, Michael O’Connell, D/Env. to John Travers, D/Taoiseach, 16/02/88, DTA: S25858-E; on opposition to Vredling, *Irish Times*, 20/07/88, and civil service relief, Seán Dorgan, note to Travers, “material for Taoiseach’s speech on 1992 campaign”, 22/06/88, DTA: S25281-E

⁷² CRC, ‘Summary Report of 8th mtg.’, 08/09/88, DTA: S25857-H; D/Finance, ‘Implementation Programme for National Recovery: Areas of Responsibility of D/Finance’, March 1988, DTA: S25858-F

⁷³ CRC debate, approval of NDP in CRC, ‘Summary Report of 13th mtg.’, 13/03/89, DTA: S25857-Q NDP funding in ‘Government Statement’, 22/03/89, GIS: D/Taoiseach; Haughey in Dáil 12/04/89

a monitoring role in the implementation of the National Plan, similar to the role it achieved on the CRC in relation to the PNR. Ó hUiginn, under Department of Finance pressure, demurred. While he conceded that Brussels required a monitoring system, he for once countered ICTU, warning that an agreed plan with Brussels involving public monies was a “political matter” and partnership should not overreach itself by infringing on Dáil sovereignty. But ICTU had not only other partners’ but also Haughey’s support, and Ó hUiginn relented, “recommending” to Reynolds, now Minister for Finance, that he accommodate their wishes. Finance reluctantly agreed, establishing a “small unit” for the NDP, reporting to both the “Committee of Ministers and Secretaries” (CMS) and social partnership’s CRC. As the Commission required a “Committee” for each programme anyway, it philosophised, the “advisory groups”, on which the social partners were “heavily represented”, should be merged with the planning groups for the purpose. This proposal was adopted by Government in May 1989, placing a social partnership structure over the NDP and each of its sub-programmes.⁷⁴

Haughey defined the PNR’s objective as “real convergence [with Europe] in employment level, incomes and general prosperity”. Structural funds, he told Fianna Fáil trade unionists, were vital, but “only one leg of a tripod”: “In the final analysis, no amount of EC support will compensate for inadequate policies at home ... The fruitful relationship that now exists between social partners and Government is the key to economic success. I would like to see it firmly established as a permanent structure for the future so that economic and social progress can be planned in a constructive atmosphere”.⁷⁵

The NDP, developed as an “extension” of the PNR, was a triumph for Haughey. Its enthusiastic approval by Brussels and extensive positive media coverage at home was followed within a week by his decision to call a surprise election.

⁷⁴ “integral part”, Haughey in Dáil 26/10/88; ICTU demand monitoring role and “Ó hUiginn conceded”, CRC ‘Summary Report of 14th mtg.’ 19/04/89, DTA: S25857-R; “countered ICTU”, ‘13/3/89’ [i.e. h/w notes for 13th meeting CRC, 13/03/89], DTA: S25857-Q; Haughey’s support, O’Sullivan to Ó hUiginn, ‘re Agenda item 4 – Consultative Process on Monitoring Implementation of EC Structural Fund Assistance’, 18/05/89, DTA: S25857-S; “recommends to Reynolds”, Ó hUiginn to Reynolds M/F, 28/02/89, DTA: S25857-S; Finance “reluctantly agrees”, D/Finance, ‘CMS 166. Revised. Monitoring the National Development Plan. Suggested Arrangements’, DTA: S25857-S

⁷⁵ Haughey, ‘Speech to Fianna Fáil Trade Union Conference, Lucan’, 07/05/89, GIS: D/Taoiseach

Chapter 8

Green shoots: economic recovery and policy innovation, 1987-89

“Turnaround”: a pattern emerges

The 28 October 1988 CRC meeting was the turning point of the PNR, when what ICTU leader John Carroll had called its “gamble” was agreed finally to be “working”. Despite the US/UK market crisis, an Irish “turnaround” was occurring, with growth reviving, new jobs being created, “the haemorrhage of substantial job losses ... ended”, and agriculture recovering. As a senior FUE official put it, the recovery “might be modest”, but on jobs “the trickle was gaining momentum”.¹

A core aim of the PNR agreement, as Haughey had told Phil Flynn, was to “restore investor confidence”. The CRC, government and Europe now all concurred that the PNR was generating a “resurgence of investment by Irish industry” following “lean and difficult recent years”: “the days of real output and jobs growth have returned”. MacSharry reported exports rising in 1988 to two thirds of output, compared to just half in 1986, the highest in the EC, while Delors said the PNR had led to a “substantial inward flow of capital”.²

But rather than a general phenomenon, the recovery was occurring in very specific areas. The social partners had overlapping but divergent interests. While ICTU sought job creation and industrial expansion to reduce mass unemployment and boost wages, and business a recovery of profitability and trading growth, Government needed politically to achieve both. The pattern of industrial recovery and its economic structure becoming apparent by the end of 1988, while mirroring the profile and targets of the PNR, took a form different to it, with the three targeted “business areas” performing in a manner not foreseen. Nevertheless, while external factors, notably early forms of globalisation, and

¹ D/I&C. ‘20,000 Target ... Progress Report of Mid-Year’. August 1988, DTA: S25857-G; FUE official quoted in *The Irish Times* 27/10/88

² Haughey to Flynn, in Hastings et al 2007: 31; PNR Section II (6); [IDA], ‘Updated Progress on the Provision of Jobs under PNR’, 21/10/88, DTA: S25857-J; McSharry, ‘Address to General Humbert Summer School’, 26/08/88, GIS: D/Finance; ‘Joint Declaration by the Taoiseach, Charles J. Haughey, TD, and President Delors on the Economic and Social Development of Ireland within the European Community’, 28/10/88, GIS: D/Taoiseach

inherent economic factors, such as the nature of the rationalisation “shake-out”, were important, sectoral performance was decisively shaped by policy choices by both government and the social partners, not only in macro-economic terms, but in the specifics of industries. The politics of social partnership, rather than exogenous factors, became the vital driver of the Irish economic turnaround.

Policy tested: “indigenous” industry’s uneven performance

PNR industrial strategy prioritised a take-off of indigenous industry. The IDA described its “central objective” as to “stimulate and assist Irish controlled companies to be internationally competitive” and “become European market leaders”. Critics later dubbed this “crony capitalism”, although, as examined in the introduction to this thesis, state-industry integration was the essence of “successful small open economy” theory. FDI, which had been performing poorly, was seen as ancillary, assisting the “central objective” by upgrading industrial quality and “linkages” with Irish firms. The IDA pursued whatever mobile investment it could on this basis (with a new “special focus on Japan” given the US/UK recession), but did not expect a dramatic breakthrough. Its immediate priority, the Department of I&C reported, was improving export capacity among the 900 overseas firms “still in Ireland”. Supporting small start-ups, which had also, despite considerable state investment, shown poor results in the 1980s, was another secondary objective. Privately, Haughey and his circle were sceptical of this ordering of priorities, having already identified a substantial FDI growth as the key driver, but accepted it in the interests of the PNR consensus.³

In line with PNR strategy, agency supports were re-directed from general start-up and fixed asset grants to selected larger companies to promote their presence abroad and modernise their capacity, marketing, company planning and management techniques. John Bruton claimed this had already been “central core” coalition policy, citing the Goodman example, but government dismissed this as having been little more than aspiration. Pádraic White described the policy re-orientation now underway as the “biggest shake-up in industrial

³ IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N; D/I&C, ‘Progress in the Provision of Jobs’, 27 May 1988, DTA: S25857-E; on Haughey circle’s preferences, Ó hUiginn to Haughey, n.d., with memo, Travers, ‘Presentation to Taoiseach and Ministers for Finance and Labour on April 27th [1987] on Industrial Policy’, DTA-OHP (see also, chapter 4)

incentives since the foundation of the IDA". The help to targeted firms was very considerable, a Department of I&C official describing it as difficult "to imagine a greater degree of intervention short of a substantially enlarged State sector", though also warning it would be years before its concrete success was apparent.⁴

Both business and unions accepted that the promise of the PNR lay in the new future sectors it would drive, not old industry. The on-going "shake-out" was extreme. Most of manufacturing in the 1970s had been for the home market, and a third of those jobs had disappeared by 1985, displaced by imports, as the industrial base of the Lemass era collapsed in the absence of a new strategy. Only firms in non-traded sectors, such as food, survived, though still over-reliant on UK markets and with only an eighth exporting elsewhere in Europe. Ireland's EEC "transition" had ended in 1978 with the last protections - apart from a further 4 years for the car industry - removed, precipitating a decade of severe manufacturing decline. ICTU privately accepted that old-industry loss-leaders were doomed. When government withdrew subventions to Leinster Paper Mills, Haughey adamant it could not become "financially involved again", ICTU protested publicly but, as Ó hUiginn noted to Haughey, "the fact [they] did not raise the issue [on the CRC] ... suggests they understand the reality".⁵

Besides large-scale exporting, the PNR also hoped for quick employment dividends from services and from sectors such as tourism, whose planned grant-assisted expansion aimed for 25,000 new jobs by 1993 achieved by a promotion campaign, upgrading the "product" and exploiting European liberalisation of air transport. Although this target was ridiculed by the Dáil opposition, government established a "Tourism Task Force" whose tax-incentive/marketing-based strategy was energetically implemented in 1987-88. This fulfilled Haughey's prediction of a "bumper year for tourism", with visitor numbers increasing 15

⁴ PNR V (11); D/I&C, 'Proposals for Further Re-organisation and Simplification of Industrial Promotion Agencies', Feb. 1988, S25858-E; IDA Ireland, *Your Partners in Development*, Jan. 1988; Bruton, 'Speech to the lunch of Small Firms Association' (Fine Gael Press Release), 18/02/88; on coalition "aspiration", Travers D/T to Paul Bates, D/I&C, 25/02/88, DTA: S25858-E; on "shake-up", IDA, 'Introductory Comments by Padraic A White', 07/04/88, DTA: S25870-C; on "state intervention", Paul Bates, D/I&C, encl: 'Poor Response from Private Sector to Job Creation. Mfr./Ind. Policy', Nov. 1989, DTA: S25862-D

⁵ On "shake-out", O'Dowd 1996: 43; NESC 1989: 515; on Paper Mills, Denis Mehigan, Pnte Secretary to the Taoiseach, to Cassells, ICTU, 29/03/89, and Internal D/T memo, O'Sullivan to Sec [Ó hUiginn], 'Representation to Taoiseach from Mr P. Cassells, re Leinster Paper Mills', 06/03/89, with h/w note, Ó hUiginn for Taoiseach, 14/03/89, DTA: S25857-Q

per cent and 5,000 “direct and indirect” new jobs created by 1989. The CRC was confident targets for succeeding years would also be exceeded.⁶

The trawl to increase net employment led to every area of government activity being scrutinised for its potential. When Foreign Affairs, like all departments, was asked to report to CRC on the jobs impact of its activities, it listed overseas development aid (ODA) as its “contribution”. When the Department of the Taoiseach queried ODA’s “balance of advantage to Ireland”, Foreign Affairs demonstrated how its £39m budget had resulted in contracts for Irish private and semi-state suppliers of £86m, with 70 per cent of all bilateral aid expended on goods and services from them, producing 1,200 direct and indirect jobs. Ó hUiginn solemnly told Haughey that while the CRC was aware of the “moral and other non-economic reasons why [ODA] should be maintained or increased”, the “flows of contract income” were nevertheless favourable and apart from their value, “perhaps more importantly”, provided “a training ground and image vital to increasing the flow of income from other sources”.⁷

The uneven development of indigenous large-scale industry under the PNR was exemplified by the food sector. Ireland had a competitive advantage in grass-based production and was already Europe’s largest beef producer, exporting 75 per cent of product predominantly to Britain and third countries. But production was inefficient and quality poor. The future, as both the NESC and ministers repeatedly stated, lay in quality processing and away from “volatile” third-country markets to selling high value-added product into Europe.⁸

Haughey exhorted farmers to “wean” themselves from EEC intervention and seasonal production, which were “constraining” growth, and move from being “primarily commodity traders ... to marketers of [quality] products”, supplying “a highly competitive and technologically sophisticated agri-food industry ... competing on the world’s food market”. On the processing side, IDA collaborated with the Department for the first time in developing a detailed industry strategy, two semi-state boards were founded, Teagasc to drive a professionalization of

⁶ PNR V (27); Bord Fáilte 1988; Haughey in Dáil 17/05/88; CRC, *Progress on Job Creation*, n.d. [Dec. 1988]

⁷ John Swift, Asst. Sec., D/FA, to Travers, D/Taoiseach, 13/01/88, DTA: S25858-D; D/FA, untitled memo, on ‘Aid and Trade’ (for CRC), n.d. [Sept. 88], DTA: S25857-H; Sec. [Ó hUiginn] to Taoiseach, ‘Bilateral Aid Programme’, Oct. 1988, DTA: S25857-J2

⁸ “volatile”, NESC 1986; Michael O’Kennedy, M/A&F ‘Statement ...’, launching Annual Review and Outlook for the Agriculture and Food Industry’, 18/01/89, GIS: D/A&F

agriculture and Bord Glas horticultural production, and a horse industry strategy was developed. Ultimate employment was forecast in the thousands, with beef processing alone targeted to deliver 1,000 by 1993. Selected beef firms – principally Hibernian and AIBP (Goodman) - were identified and assisted with EC-approved IDA modernisation plans. Describing the strategy, Haughey warned the Dáil it would also “inevitably” involve closing older inefficient plants.⁹

Despite quality challenges and inefficiencies, IDA reported “very significant progress” in restructuring beef companies, updating production, modernising management and training farmers during 1988. Rationalisation and plant closures created both unemployment and new jobs. Though by 1988 there were just 300 more employed in the industry than in 1986, this excluded a burgeoning sub-contract sector. The industry faced many problems, both internal, like slow product quality improvement and farmers persisting in seasonal production, and external, like continued protectionist practices in target European markets, notably Germany. To expand third-country trade in the meantime, export credit insurance was restored for Mid-East markets in January 1988.¹⁰

In addition to the as yet unanticipated disastrous Iraqi default of two years later, this meant newly emerging Far-Eastern opportunities could not be exploited as export credit insurance was fully committed. But, by leveraging its new political capital in Brussels, Ireland succeeded in having Germany agree in early 1989 to finally open its market to Irish beef, and the EC also established an intervention “safety net” in the event of a sudden closure of third-country markets. But the joint impact of the British BSE crisis and US/UK-led “Gulf War” in 1990 collapsed beef export trading. The CRC nevertheless remained optimistic, judging IDA-driven restructuring to be on target to grow quality

⁹ Haughey in Dáil 24/10/89; on beef industry plan, ‘Draft. Outline of the Current State of the Irish Beef Industry’, n.d., [1990], DTA: S26694, PNR 14; IDA Ireland 1987: 25-31; on other food industry plans, PNR V (14-21); IDA Ireland 1987; An Bord Glas (1988); CTT ‘Food Ireland’ 1988; Colin McCrea, Chief Executive, CTT, ‘CTT and Food in 1989. Speech to the Guild of Agricultural Journalists, 19/01/89, DTA: S25858-0; on IDA plans in Hibernian and Goodman, D/I&C, ‘Progress on the Provision of Jobs’, 27/05/88, DTA: S25857-E; D/I&C, ‘20,000 Target ... Progress Report of Mid-Year’. August 1988, DTA: S25857-G; D/T, O’Sullivan to Sec [Ó hUiginn], ‘Beef Industry’, 14/10/91, DTA: S26694; Haughey in Dáil 16/06/88

¹⁰ D/A&F (for CRC) ‘Beef Industry Problems’, 11/09/90, DTA: S26694; Haughey in Dáil 17/05/88; on German protectionism lifted, ‘Summary Report of Meeting on Beef Industry’, held Wed., 12/09/90, DTA: S26694; O’Toole 1995

exports to Europe, with ICTU seeing “major opportunities for the creation of employment and wealth”. As in other areas, realising this would take time.¹¹

A different development pattern emerged in another PNR-target food industry, dairy processing, with different external factors producing unforeseen results. Government saw the sector’s potential constrained by the co-op system, but ICOS proposed overcoming this through capitalisation to create a “globalised industry”. By 1988 IDA-assisted rationalisation had already seen employment contract over the decade from 10,100 to 7,200, leading the ITGWU, which organised co-op creameries, to suggest government “approach Brussels” for “special” supports analogous to that for the European coal and steel industries.¹²

An ICOS plan proposed rationalising the fifty larger co-ops into three giant capitalised companies “to reduce costs and improve product development and marketing to international competitive levels”. An impressed Haughey had brought ICOS into the CRC, and the IDA too supported the plan, investing £4.5m in Kerry Foods, formed in 1988, to assist it “become a major large-scale international food company”. By late 1988 the Department of I&C reported the sector “on course” to achieve its 2,000 new-job target, though warned that “some shakeout”, as already apparent in the newly consolidated Kerry plc., would probably result in a net decline of 2,000 by 1992. The report, which Ó hUiginn withheld from the CRC, admitted that “competitive pressures are such that rationalisation and, as part of this, employment contraction, is inevitable”. Ó hUiginn told ICTU jobs growth depended on quality product diversification.¹³

But the strategy worked, if not in net employment growth. New “large scale indigenous companies” emerged in the dairy sector to become “European leaders”, diversifying through quality-upgraded product. Haughey praised their spectacular success while noting the “disappointing” jobs outcome. The dairy companies’ successful stock market floatation indicated a “new confidence” and

¹¹ On Ireland securing EC “safety net”, D/A&F (for CRC) ‘Beef Industry Problems’, 11/09/90, and ICTU assessment, Cassells, ICTU, to Ó hUiginn, 30/08/90, DTA: S26694

¹² Whelan (ICOS) in h/w notes CRC Secretariat meeting 10/03/88, DTA: S25857-C; D/A&F, ‘Employment in the Dairy Processing Industry’, 16/06/89, DTA: S25857-T; ITGWU intervention in h/w notes CRC 15th Meeting, 18/05/89, DTA: S25857-S

¹³ ICOS 1987; Kerry Foods in IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N; “shake-out” in h/w notes of CRC meeting, 30/11/88, DTA: S25857-L; jobs decline in CRC, ‘Summary Report of 15th mtg.’ 18/05/89, DTA: S25857-S; “competitive pressures” in D/A&F, ‘Employment in the Dairy Processing Industry’, 16/06/89, DTA: S25857-T; Ó hUiginn to ICTU in h/w notes of CRC 15th mtg., 18/05/88, DTA: S25857-S

the “market-led approach” would finally “eliminate many of the problems mentioned in the NESC report”. By 1989 another feature of the new growth was manifested when, as a consequence of opening capital markets following the SEA, the new dairy corporations began to expand and earn growing profits more through acquisitions and investments abroad than production growth at home. It was a model trend replicated in other sectors.¹⁴

The “central objective” of PNR industrial strategy – scaling selected indigenous companies up to “international competitiveness” – was certainly being achieved, but its consequences were not those envisaged, as technological modernisation – what the IDA called “the greatest single influence on the poor overall employment performance in manufacturing” – reduced workforces. The Department of I&C reported that while “in the very first year of the PNR” all new-job targets were being achieved, the logic of restructuring, together with public service contraction and the on-going “shake-out” in old industry, meant “disappointing” job results. An industrial take-off was occurring, producing better quality higher-paying jobs, but the creative “churn” meant net manufacturing employment remained “static” at 200,000 across all sectors.¹⁵

Net jobs growth occurred elsewhere, as already mentioned in tourism and, due to the gradual general recovery, service businesses. Indeed, and contrary to expectations, it was the “small industry sector”, whose prospects had not been rated highly or given PNR priority, which IDA reported showing “surprising buoyancy” and “running ahead of expectations”, with over ten new start-ups weekly nationwide, creating over 5,000 jobs in the PNR’s first year. These were in niche industries and services, supplying to growth sectors. But the emerging pattern further nudged policy away from the “large indigenous sector”, which suffered further reputational damage when in March 1989 Labour and the PDs demanded a “public enquiry” into favouritism towards the beef industry.¹⁶

¹⁴ Haughey in Dáil 24/10/89

¹⁵ “greatest single influence” in IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N; “disappointing” in Paul Bates, D/I&C, encl: ‘Poor Response from Private Sector to Job Creation’, Nov. 1989, DTA: S25862-D; “churn” in D/I&C. ‘20,000 Target ... Progress Report of Mid-Year’. August 1988, DTA: S25857-G

¹⁶ D/I&C. ‘20,000 Target ... Progress Report of Mid-Year’. August 1988, DTA: S25857-G; White, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N and ‘Updated Progress on the Provision of Jobs under PNR’, 21/10/88, DTA: S25857-J; Barry Desmond quoted in Ryle Dwyer 1995: 135

Growth drivers: new sectors and EC leverage

The PNR promised a major expansion of the jobs-intensive building industry, a traditional Fianna Fáil driver which had contracted drastically in the 1980s. The scale of urban dereliction was compounded by contracting property prices and widespread vacancy. Apart from new city council offices at Wood Quay, not a single new-build or restoration had occurred on Dublin's quays since 1975. The PNR construction revival was planned to come from the general recovery, infrastructure plans and especially the regeneration of derelict urban areas. The CRC's partners moved early to establish a tripartite "Construction Industry Development Board" (CIDB) to generate development proposals.¹⁷

The Haughey government of 1980-81 and 1982 had begun regeneration through some high-profile projects such as the Royal Hospital, and just before it fell in 1982 published a bill, agreed in the "Gregory Deal", establishing a "Dublin Inner City Development Authority". This also initiated housing, industrial and training projects. After the fall of the 1982 Haughey government, the coalition, at the instigation of Ruairí Quinn, an architect and urban planner, revived the bill, finally establishing a "Customs House Dockland Development Authority" (CHDDA) in December 1986, a month before leaving office.¹⁸

Haughey's government retained the CHDDA, but also produced a first programme designating urban districts nationwide for "renewal", with the Docklands project, reconfigured around the IFSC, the flagship, but with projects in other centres also qualifying for tax-incentives. The CIDB advocated a blanket extension of these incentives to all urban renewal areas, a position the CRC endorsed, as well as time-limiting planning appeals, 100 per cent capital allowances on commercial developments, and re-configuring the CHDDA into a semi-state "Renewal Authority" with powers to override local government. When the new round of EC structural funds was being negotiated, the CIF and ICTU urged it be used to extend the CHDDA to the whole of central Dublin.¹⁹

¹⁷ PNR V (25); CRC mtgs., Feb.-May 1988

¹⁸ Quinn 2005

¹⁹ Dermot Nally, Sec to Government, to Sec., D/F, 09/08/87 – re memo PD 118 of 08/06/87, Ó hUiginn, h/w note on 'Cruinniú Rialtais: Finance Bill 1987. Amendment to extend Designated Areas Scheme', 09/06/87, DTA: S25306; Travers to Teahon and Sec., D/T, 03/03/88; h/w on this by O'Sullivan 21/03/88, DTA: S25857-C; D/T memo, O'Sullivan n.t., 25/11/88, DTA: S25857-K; h/w notes of CRC meeting, 26/10/88, DTA: S25857-J2

Haughey saw the IFSC as the centrepiece of the largest rebuilding of Dublin since Georgian times. Combining the IFSC's "high end jobs" with regeneration would transform the poverty-stricken city core into a "New Bloomusalem" – a reference to Joyce's *Ulysses*. He had long advocated reforming local authorities to act as "development corporations", and the CIF welcomed the new CHDDA's "more commercially oriented" structure and "quicker approval procedures" compared to both its predecessor and local government processes.²⁰

But as other planned Dublin projects failed to materialise, an irritated Haughey summoned city officials to cajole them to kick-start them. Teahon of the Department of the Taoiseach told the CRC of Haughey's frustration with Dublin Corporation and his scepticism that it had the "competence" to drive re-development. Haughey was also amenable to CRC proposals to extend the CHDDA to the whole Inner City, but relented in the face of obstinate Corporation resistance. The CRC supported the CIDB's advocacy of extending compulsory purchase, 100 per cent capital allowances and curtailing planning appeals, though had to drop the latter as "probably unconstitutional". Despite Finance's objections that extending tax incentives "greatly weakened" their impact and that given the limited capital "pool" available "it would be pointless diluting it thinly over a large number of areas", sixteen districts were selected nationwide for such incentives, including four in Dublin. The strategy of tax-incentivised developers driving Dublin's chronically needed regeneration thus emerged not through a developer/political nexus as often claimed but rather through a proposal from social partnership. The general recovery, but especially regeneration measures, saw the construction industry grow for the first time in a decade, commercial construction alone increasing in 1988 by fifty per cent, creating 2,000 jobs – a tenth of total new employment - despite the curtailing of the Public Capital Programme.²¹

²⁰ On building Dublin, Haughey, 'Address ... at launching of Planning Scheme for the Customs House Docks', 04/06/87, GIS: D/Taoiseach; on "Bloomusalem", Haughey, 'Address ... at laying of foundation stone for IFSC', 22/09/88, GIS: D/Taoiseach; on "development corporations" Haughey to Cassells ICTU, 20/01/1987, DTA: S25862-F; on CIF, D/F memo, 'Inner City Renewal Authorities – CIDB and CII proposals', DTA: S25857-K

²¹ Haughey summons Dublin Manager, 'Urban Renewal: Designated Areas Scheme. Progress on Major Development Proposals. Position at 7 November 1988', DTA: S25857-K; on Haughey frustration with Corporation, h/w notes CRC-SG mtg., 03/01/89, DTA: S25857-N and N. Callan, D/Env. to O'Sullivan, Sec. to CRC., 24/01/89, DTA: S25857-O; on "relented", Ec. & Social Policy Div., D/Taoiseach, 'Internal Note only: Dublin Inner City Renewal Authority', 07/02/89 and h/w notes, SG mtg., n.d [07/02/89], DTA:

The securing of increased EC funding in 1988, though modest compared to later programmes, was viewed by the Department of Finance as a significant input to the Public Capital Programme (PCP), especially in developing telecoms, tourism, cross-border initiatives, roads and other infrastructure. Haughey exploited his alliance with Delors to enhance PNR sectoral target plans in several key areas. As described in chapter 7, after securing an unprecedented ERDF front-loading, government also secured Commission agreement to amend ERDF regulations to allow private investment as “national funding” for EC co-funding purposes first in the roads programme, then infrastructure generally, and finally for non-infrastructure programmes, notably forestry, tourism and local enterprise. These were all PNR target sectors, and this opening to private investment would drive their development.

Irish forestry, for historical colonial reasons, had one of the lowest afforested land ratios in Europe, just 4 per cent compared to over 20 per cent in many member states. Timber was overwhelmingly imported. The PNR aimed to greatly expand reforestation and timber production, driving a potentially export- and employment-rich processing industry. In opposition Haughey had proposed transforming the Department of Forestry into a commercial semi-state and opposed the sale of semi-mature forests. Even before the PNR was signed he established Coillte Teo to manage forestry assets to this end. As in all sectors, government plans depended on private sector involvement, and in preparing the Forestry Bill an Inter-Departmental Group led by Finance evaluated “the comparative advantages and disadvantages to the State of private and public investment in forestry, taking account of the need for a high and stable level of planting and the present state of exchequer finances”. Unsurprisingly, it strongly advised an emphasis on private planting. In 1988 government secured EIB loans for Coillte and the timber processing industry, enabling “record planting” and processing expansion through upgraded and new plants that very year. When

S25857-O; CRC support for CIDB proposals and D/Finance views in h/w notes CRC-SG mtg., 03/01/89, DTA: S25857-N, CRC-SG, ‘Action Points: Updates arising from 11th mtg.’ 03/01/89, Ec. & Social Policy Div., D/Taoiseach, ‘Extension on Time Limits and Increases in Capital Allowances for Commercial Development in Designated Areas’, 07/02/89, and N. Callan, PO, D/Env. to O’Sullivan, Sect. to CRC., 24/01/89, DTA: S25857-O; D/Finance views and areas designated in Ec. & Social Policy Div., D/T, ‘Internal Note only: Identification of Items for next CRC mtg.’, 07/02/89, DTA: S25857-O; on developer/political nexus, Connolly, F. 2014; jobs created in CRC, *Programme for National Recovery, Progress on Job Creation*, n./d. [Dec. 1988]

the amended ERDF regulation permitting private co-funding in forestry and timber was secured in May 1989, the NDP incorporated plans to double forestry and further expand processing through a public/private/ERDF investment mix.²²

In a similar process, the tourism plan of the PNR was greatly expanded in the NDP following Brussels approval for a similar investment mix. Ireland reciprocated Brussels' special consideration by being to the fore in legislating the liberalisation of competition and capital restrictions, though it had already decided to exploit this opening with a daringly innovative strategy.

Innovation: IFSC “pipe-dream” and the FDI “surge”

As with many policies Haughey adopted, that for an international financial services centre (IFSC) in Dublin's docklands was fortuitous. Such an idea was not new, with analogous projects underway in London, Boston and elsewhere. The CII advocated a services centre near Dublin airport. But Dermot Desmond had a novel plan to realise it in the derelict docklands, and after meeting a Fianna Fáil supporter in a Dublin pub, was brought to Kinsealy to present it to Haughey. Desmond had tried to interest Bruton, but he, on the advice of Fine Gael industries spokesman Fergus O'Brien, had dismissed it as a “pipe dream”. Haughey too was initially sceptical, but this changed when he witnessed the eager response of Irish-American financiers to Desmond's presentation in New York. Haughey then included it as a flagship project in his 1987 manifesto.²³

Haughey combined the idea with the CHDDA's regeneration plans to create an entirely new economic sector and simultaneously transform inner-city Dublin. Describing financial services as “one of the fastest growing sectors of economic activity in the world”, Haughey said his government aimed “to put Ireland into the main stream of that growth”. An “IFSC Committee”, chaired by Ó hUiginn and prominently including members of CII's “Financial Services Industry Association” (FSIA), was established within weeks of the government being formed, to drive

²² Forestry plan in PNR V (22); Haughey and Coillte, Dáil 05/12/89; Inter-Dept. Cttee., in Dermot Nally, Sec to Government, to Private Sec., M/Energy, 29/03/88, encl. aide memoire of 25/03/88 from M/Finance re establishing state forestry company, DTA: S25858F; on EIB loans, Minister Michael Smith: ‘European Investment Bank funds for Forestry’, 15/12/88, GIS: D/Energy and Denis Mehigan, Private Sec. [to Taoiseach], to Pauline O'Shaughnessy, D/Taoiseach, ‘Briefing material for the D/Taoiseach for reply to letter from P. Cassells regarding Leinster Paper Mills’, 06/02/89, DTA: S25857-0; on plan submitted Minister Aylward, ‘EC Action Programme to aid Irish forestry’, 29/05/89, GIS: D/Forestry

²³ On the events surrounding the initiation of the IFSC, Power 2009, Reddan 2006, Keena 2003, FF 1987

the project and advise on a regulatory/incentive package. A special IDA unit, headed by David Hanna, was created to promote it.²⁴

The Centre was initially restricted to securities and bond trading. Incentives to locate in it included zero capital gains tax, a 10-year rates remission and free capital movement in non-IR£ currencies. The Department of Finance was instructed to draft a regulatory framework modelled on other European centres. GPA, an early Irish financial multinational whose board would include recently retired EC Commissioner Peter Sutherland, suggested a 10 rather than 0 per cent tax rating, as that would at least “impl[y] some form of control and supervision” and therefore be more acceptable to investors and foreign governments alike.²⁵

Irish-owned finance companies urged Ó hUiginn to “play to our strengths” by using the IFSC as a base to grow the domestic accountancy industry, already “second to none in the world”. A strategy like “the Goodman meat investment” could make the centre a “launching pad to force ... this resource into the export business”, transforming conservative Irish stock brokers into global market traders. But the committee rejected this, remaining firmly FDI-focused. It targeted “influential and very powerful people in [US] financial circles”, especially with Irish personal or business connections, and arranged meetings between them and the IDA, or even with Haughey personally.²⁶

Securing a “big player” proved elusive, however, and with US/UK markets stalled, potential clients in Germany and Japan were wooed. When Finance produced a bill setting the terms for the centre, Ó hUiginn, as urged by NCB and GPA, suggested extending the special tax rate to property fund management and trade with Shannon Zone companies. This was to both facilitate and woo GPA’s partner, Mitsubishi, Japan’s largest bank. But Haughey, despite being urged that

²⁴ “fastest growing” in Haughey, ‘Address at launching the Planning Scheme for the Customs House Docks’, 04/06/87, GIS: D/Taoiseach; on IFSC committee, Oifig an Taoisigh S. 25150 [Ó hUiginn], ‘Memorandum for Government. Establishment of an IFSC Committee’, 30/03/87 and Draft of G.20/8, Government Minutes 31/03/87, DTA: S25150-A

²⁵ D/Finance, ‘Performance and other Criteria required for Certification of Companies in the IFSC at the Customs House Docks Site’ [FSC/099], 18/06/87, FSIA, ‘Customs House Docks, Dublin, IFSC, Preliminary Brief’, n.d. [June 1987], DTA: S25150-A; IFSC Committee, ‘Summary Report on 11th mtg.’, 18/06/87, DTA: S25150-A; Peter Denison-Edson, Senior Vice-President, GPA Corporate Affairs Japan, to Dermot Desmond, 11/06/87, DTA: S25150-A

²⁶ Alex Spain, chairman, ZEUS, to Ó hUiginn, 19/06/87, CII-FSIA, circular to member companies, ‘Re.: IFSC Dublin’, 29/06/87, Spain, chair, CII-FSIA, to Ó hUiginn 19/06/87, and, on Irish-American financiers, ‘Note on telephone conversation with Mr Peter Owens’ 04/06/87, and “Peter Owens 26/6/87”, with h/w note re Foley, DTA: S25150-A

the amendment would “solve the Mitsubishi problem”, did not intervene, and Finance’s view, which anyway suspected GPA of special pleading, prevailed.²⁷

Building of the IFSC commenced in late 1987, entirely private-sector funded, with surprisingly strong initial interest reported. Desmond, who had since become a friend of Haughey, stepped down from Ó hUiginn’s committee to avoid accusations of a conflict of interest, but still funded the first IFSC “block”. The whole project was necessarily one of future potential, with just 200 building jobs involved at first, expected to rise to 500 in 1988. The IDA reported securing over fifty financial companies interested in locating (its “1988 target”), with a promise of 1,300 financial jobs, but by the end of 1988 the site was still being prepared, the first block not due for completion until the end of 1989, and the IDA verifying just 23 companies employing a modest 120 actually trading under IFSC licenses. The only “big player” as yet confirmed was AIB’s international branch, which government talked up as the strong local anchor essential to success.²⁸

The faltering progress attracted widespread criticism. Michael Lafferty, a London-based expert commissioned by Ó hUiginn to assess options, reported that experience of other small countries indicated that a wholesale-based centre would fail and recommended instead a secret retail banking model on the Swiss/Luxembourg model. Cabinet rejected the advice, but did change strategy in a significant step when new EC single market reforms introduced in December 1988 removed restrictions on foreign portfolio investments by residents.²⁹

The IFSC now changed focus to targeting mobile unit funds, though warned that the 10 per cent CGT rate was proving “a real disincentive” against competing European centres. Ó hUiginn urged a zero CGT rate and the IDA advised income on such funds for non-residents also be zero-rated, despite the “risks of ‘tax

²⁷ ‘Ireland an ideal location for Japanese investment – Reynolds’, 20/01/88, GIS: D/I&C; Anthony Ryan to Haughey, ‘Personal & Confidential’, 15/06/87 and Tony [Ryan] GPA to Haughey, 22/06/87, DTA: S25150-A; J. Cantwell D/T to Sec. [Ó hUiginn], ‘Telephone call from Mr Dermot Desmond re. Finance Bill Amendment’ 23/06/87, DTA: S25150-A; Mullarkey, D/Fin. to Ó hUiginn, 25/06/87, DTA: S25150-A

²⁸ on “surprisingly strong interest”, *Irish Times*, ‘Business Review 1987’. 31/12/87; on Desmond “stepping down” Reddan 2006: 16; IDA report for ‘Draft material on IFSC for inclusion in Taoiseach’s [1988] budget speech’, DTA: S25306; IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ News Release, 05/01/89; ‘Government Statement of Progress with the IFSC’, 09/12/88, GIS: D/Taoiseach

²⁹ on Lafferty, Ronald Bolger SKC to Ó hUiginn 06/02/89, DTA: S25306 and ‘IFSC can yield £70m tax by 1992, despite gloomy report’, *Sunday Tribune* 05/02/89; government response and policy change, CRC, ‘Specific Measures ...’, 03/02/89, Section: ‘EC Dimension’, DTA: S25899-A, and ‘Comment by the chairman, IFSC Committee., on the Lafferty Research Paper on International Private Banking published today’, 07/02/89, DTA: S25858-P

haven' connotations". Finance opposed this because such "haven" criticisms had already emerged at the OECD: "the further one goes in extending tax concessions in the IFSC, the greater ... the dangers of jeopardising [its] acceptability ... in the international arena". But cabinet sided with Ó hUiginn and the IDA.³⁰

Fine Gael, which taunted government on its failure to secure a "major player", claimed that "changing the rules ... at this stage" showed the whole project was not "going anywhere very fast". Lafferty joined the criticisms, resurrecting his retail-banking concept, which Ó hUiginn rejected as a recipe for "criminal money". Haughey, the morality of whose own personal finances at this time was questionable, was nevertheless clear that the public good required a tightly regulated wholesale model at the IFSC: government would "not permit or encourage undesirable secret banking or any other similar activities - the highest standards of financial probity will be rigidly enforced in the Centre".³¹

The tax changes and re-orientation to managed funds proved an immediate success. The global financial press excitedly reported that the IFSC was now giving competitor locations "a real run for fund managers' money". An upbeat IDA announced its best month yet, with thirty new funds and 100 new jobs in the pipeline by February. It confidentially predicted a corporation tax yield from the centre of £70m by 1992. While the companies the IDA hoped to secure included the oft-chased Mitsubishi, and the list of firms declaring an interest extended to Chase Manhattan, Citibank, Bruxelles Lambert and others, the continued absence of a "big player" in situ meant that all potential investors were avidly pursued. In May 1989, a "major player" was finally secured when AIG, the world's leading commercial/industrial underwriter, opted to locate to the IFSC, identifying as key factors Ireland as a base for accessing the single market as well as its "helpful Government" and educated, available workforce.³²

³⁰ D/Fin., 'Memo for Govt. - Taxation of Funds under Management in the IFSC', for Government meeting of 05/12/88, and Dermot Nally, Sec. to Government, to Private Sec. of M/Finance 05/12/88, DTA: S25306

³¹ Transcript of interviews [inc. with O'Brien and Lafferty] from 'This Week', RTÉ radio, 04/12/88 and 'Comment by Chairman, IFSC, Mr Pádraig Ó hUiginn, on the Lafferty Business Research Paper on International Private Banking published today' 07/02/89, DTA: S25306; Haughey in Dáil 14/02/89

³² Quoting international press, David Hanna, Financial Services, IDA to Ó hUiginn 12/02/89, DTA: S25306; IDA predictions in 'IFSC can yield £70m tax by 1992, despite gloomy report', *Sunday Tribune* 05/02/89; on Mitsubishi, Brendan Russell, FS Unit, IDA, to Ó hUiginn, 02/02/89, with attached list of projects, "Strictly Confidential", DTA: S25306; on banks secured, CRC: *PNP, Progress on Job Creation*, n.d. [Dec. 1988]: 8; focus to Germany/Japan, 'Government Statement of Progress with the IFSC', 09/12/88, GIS: D/Taoiseach and Haughey in Dáil 02/05/89; on investors "pursued", 'Draft material on IFSC for inclusion in the Taoiseach's speech at launch of Ireland Chamber of Commerce in the United States', n.d. [01/89],

This modest take-off of the IFSC in early 1989 marked the turning point for the centre, though it would take several years before its viability was assured. It had been achieved by adroitly exploiting the liberalisation of capital markets following the SEA. A similar approach would soon be applied to other areas of foreign investment, involving another change of strategy.

FDI had contracted in the 1980s, accused of being unreliable and overly costly per job. New projects, as the IDA had put it, had slowed to a “trickle”. The PNR had therefore focused on the large indigenous sector and treated FDI as ancillary. In line with this, the IDA was instructed by I&C to move from attracting new FDI to improving the export capacity of the 900 FDI firms “still in Ireland”. But Haughey’s *Way Forward* circle had been sceptical of this re-focusing, and its planning in early 1987, as already described, identified FDI as the real potential driver of a quality industrial take-off. Haughey had sensed this potential in 1986 when observing the eager reaction of Irish-American financiers to Desmond’s IFSC proposal. The same policy change which unleashed the “wave” of interest in the IFSC in January 1989 now also came into play regarding FDI generally. The IDA reported how FDI “surged” after strategy switched to marketing Ireland as a “key location ... for 1992 and the Single Market”. The CII, traditionally close to government and the IDA, had urged this change at the NESC. Liam Connellan had criticised Rory O’Donnell’s draft EEC report for portraying the Single Market as a “closed economy” with the major opportunity being industrial exports into it, rather than as a lever to a global capital opening. He urged the NESC to advise liberalise capital movement ahead of competitor states and exploiting Ireland’s location and to make it “a gateway to the Single Market” for the US and Japan.³³

Executives of GPA had already urged such a course on Haughey in 1987 and he had seized on the idea, legislating the removal of capital controls and pursuing mobile investment. With the Single Market identified as Ireland’s “major opportunity to capture further overseas investment”, the IDA noted how

Lyons, D/FA to Sec., D/Taoiseach, 14/01/89 and Pat Nolan, D/Taoiseach to David Hanna IDA 20/01/89 - re D/FA note on approaches to Irish Ambassador in Australia, DTA: S25306; on AIG, ‘American International Group (AIG) to Establish in IFSC’, 30/05/89, GIS: D/Finance

³³ “overly costly”, NESC 1982a and b; “new projects” and “still in Ireland”, D/I&C, ‘Progress in the Provision of Jobs’, 27/05/88, DTA: S25857-E; on *Way Forward* scepticism, see chapter 4; on FDI “surge”, IDA Ireland, News Release, ‘IDA review of 1988 and outlook for 1989’, 05/01/89 and Minister Ray Burke, ‘PNR Recovery Job Target Exceeded in 1988: End-Year Statement on Industry Performance’, 29/12/88, GIS: D/I&C; Connellan CII to Danaher, NESC, 29/09/88, ‘Council Meeting 16/12/88’, NESC Archive, Box 2

it was now “raised by nearly all [US] companies we meet”, with interest also strong in Japan, “much of it ... also attributed to the Single Market”. The IDA was “specifically exploiting all these opportunities”, promoting Ireland as a “key location ... in preparation for 1992”. By mid-1989, I&C secretary Noel Dorgan was predicting a further “potentially significant surge” in inward investment.³⁴

In contrast to the “disappointing” jobs growth in indigenous industry, the IDA reported 4,700 new jobs through FDI by October 1988, a net increase of 2,700, with even existing companies, such as the Shannon-based De Beers, EI and Molex, expanding despite the imminent end of Shannon’s special tax status. In government plans, the ancillary role of FDI in the PNR was quietly discarded. IDA reported that the “criticism of overseas industry” had proven “misplaced”, and incentive costs and “high levels of repatriated profits” should be accepted given the “actual economic activity” and “value added” it was generating in Ireland.³⁵

There was also radical thinking in government on a new high-risk FDI formula which would only finally be pursued in 1990. It was first proposed by executives of GPA who argued the potential, combined with low tax, to exploit Ireland’s “network of double taxation agreements which provide for favourable treatment ... of profits accumulated in or repatriated from Ireland” to drive an investment dynamic. The CII also favoured this formula, but it was highly sensitive and the strategy would await a majority government before being pursued.³⁶

A mixed economy model: Haughey, the unions and the “semi-states”

No issue had greater potential to derail the PNR than state companies. These had been critical in Irish economic development, but now played a declining role. Privatisation had begun under the Fine Gael coalition in Irish Shipping, Ceimici Teo and social housing, investment was cut drastically at CIÉ and Irish Sugar, and loss-making by private companies nationalised because of strategic factors, such

³⁴ Peter Denison-Edson, Senior VP, GPA Corp. Affairs Japan, to Dermot Desmond 11/06/87, DTA: S25150-A; ‘Effects of Internal Market in Inward Investment’ encl with h/w note, from Lonergan, D/I&C, to Ó hUiginn, 10/05/89, DTA: S25857-R; IDA Ireland, News Release, ‘IDA review of 1988 and outlook for 1989’, 05/01/89 and Minister Ray Burke, ‘PNR Recovery Job Target Exceeded in 1988: End-Year Statement on Industry Performance’, 29/12/88, GIS: D/I&C; Dorgan in h/w notes of meeting of CRC ‘Sub-Group on Job Creation’, n.d. [h/w notes 1 of meeting 28/06/89], DTA: S26122-A

³⁵ on new FDI jobs, IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N and D/I&C. ‘20,000 Target ... Progress Report of Mid-Year’, August 1988, DTA: S25857-G; on Shannon, Bates, D/I&C, to CRC, encl: ‘Poor Response from Private Sector’, Nov. 1989, DTA: S25862-D

³⁶ Peter Denison-Edson, Senior VP, GPA Corp. Affairs Japan, to Dermot Desmond 11/06/87, DTA: S25150-A

as ICI, B&I, Irish Steel and Dublin Gas. These issues had made the 1980s a “traumatic decade” for the sector, with employment falling 25 per cent to 67,000. But by 1988 it still accounted for 6 per cent of total employment, 18 per cent of investment and 19 per cent of GDP (or 10 per cent GNP). Aer Lingus and ESB were not only Ireland’s largest but also its top industrial performers.³⁷

Commercialisation and privatisation of state enterprises was not yet a dominant trend in a Europe which, apart from the UK, remained wedded to *dirigisme*. But it had been advocated by the OECD since 1977, and in the 1980s monetary crisis the selling of state “assets”, though most extreme in the UK, increased only slowly across the OECD. The Single European Act nevertheless foresaw the opening of national markets by ending state monopolies and state aids to both private and public industry, an issue long tracked by Brussels.³⁸

Irish governments since the 1960s had sought to increase the “commercial” dynamic in state enterprises by reforming their financing structures and seeking out entrepreneurs to head them, as in Lynch’s appointment of Jefferson Smurfit to Bord Telecom. In 1980-82 Haughey changed “boards” such Telecom and An Post into corporations and before that, as Minister for Health, had initiated semi-state consultancies, such as PARC, to develop hospitals in the Middle East, and joint ventures to co-fund Irish hospital expansion, as at Beaumont in his own constituency. The *Way Forward* proposed further such developments. In opposition in the 1980s Haughey, not unreasonably, presented Fianna Fáil as the party of the state sector, criticising the sale of Irish Shipping (“a furtive act of national sabotage”) and of forests, as well as underinvestment in Telecom, saying “if this process of dismantling the State sector is brought much further, the Government will get to the point of dismantling the State itself”. “Our approach”, he told the Dáil, would be “totally different”.³⁹

In the 1987 election parties adopted contrary positions on the issue. The PDs advocated wholesale privatisation while Labour opposed any. With business opinion leaders like Moore McDowell and Brendan Walsh advocating absolute

³⁷ Sweeney 1990

³⁸ OECD 1990; on EEC monitoring state-aids, Directive 80/723/EEC, *Official Journal* OJ L195, 29/07/80

³⁹ Smurfit 2014: 14 Sweeney 1990: 93-5; Fianna Fáil 1982; Haughey in Dáil on Irish Shipping 14/11/84 and forestry 14/12/84, and “totally different” 14/05/86

commercial criteria and the sale of suitable sectors, Fine Gael proposed selling minority holdings. Fianna Fáil saw semi-states as “essentially national development corporations”, and undertook to “retain all profitable parts” of them. Early in the 1987 government, Des O’Malley tested government resolve with a motion, supported by Fine Gael, to sell companies apart from strategic ones. Reynolds responded by saying that while privatisation had become “very fashionable”, Fianna Fáil had no “doctrinaire view”. While the motion was defeated with the help of Labour and Workers’ Party votes, it illustrated the government’s precarious position on issues other than strictly monetary policy.⁴⁰

The NESC advocated strengthening state companies, though since 1980 had also urged they “be given a sound financial basis from the start”. Kieran Kennedy of the ESRI, however, doubted that “the political process ... is capable of maintaining the kind of freedom and accountability” this required. Given this climate, ICTU, whose 80,000 semi-state members formed its most powerful block after the public services, made the protection of semi-states its central election issue in 1987. Haughey assured it of his commitment to an “efficient and effective semi-State Sector as a major instrument of economic development”. He cited Aer Lingus’s semi-autonomous subsidiary, Airmotive, which he had opened in 1981, as “the type of development we had in mind”, and assured ICTU “that Fianna Fáil has no intention of privatising any semi-State body”.⁴¹

The business interest CII equivocated on the issue, not surprisingly as it had most state bodies in membership. “Ireland is not doctrinaire on nationalised industry”, it stated, proposing further commercialisation, “value-for-money” criteria and contracting out of services, though also a new “Development Co-operation” company to sell technical assistance to emerging countries.⁴²

A positive policy on state industry, combining ICTU and CII views, was included in the PNR. During its negotiation Haughey built credibility with both

⁴⁰ ‘Private Investment in State Companies’, *CII Newsletter*, 27/01/87; McDowell 1987; Walsh 1987; Fine Gael 1987; Fianna Fáil 1987; Labour/WP in Dáil 7-8/04/87

⁴¹ Kennedy, ‘Introduction’ to Sweeney 1990: ii; union power O’Dowd 1989: 51; ICTU 1987a and ICTU-EC meeting 18/02/87; Haughey to Cassells ICTU, 20/01/1987, DTA: S25862-F

⁴² CII, ‘The Complementary Roles of Public and Private Enterprise’, *CII Newsletter*, 13/04/82 and ‘Growth Industries with Employment Potential, CII 8th Annual Careers in Industry Conference’, 19/09/86, Power Papers, IT Sligo; CII, ‘Private Investment in State Companies’, *CII Newsletter*, 27/01/87; ‘Participation in State Enterprise’, *CII Newsletter*, 24/02/87; ‘Swedish Example backs State Participation Case’, *CII Newsletter*, 28/04/87; Power 2009: 93

groups by summoning semi-state chiefs to impress on them “the importance which Government attached to the developmental potential of the State-sponsored sector” and “requesting” them to submit plans for expansion, joint ventures and overseas consultancy contracts to “contribute to the Programme for National Recovery”. A “Working Group” of executives was to report “on the role and purpose of State-sponsored bodies” and their “developmental potential”. Haughey also supported rationalising the sector, privately assuring semi-state leaders he would back them in “standing firm” on pay and approving the splitting of CIE into three companies in a process that would reduce its staff in a decade from 16,500 to 11,000. The PNR included various semi-state projects proposed by companies, the CII and ICTU, some with specific jobs targets. From early 1988, with extensive IDA assistance, these began to be activated.⁴³

In 1988 David Begg, leader of the telecom union CWU, spoke for many state sector unions by declaring that “we favour a centrally-planned and controlled economy relying heavily on State-led investment to the semi-State Companies to create jobs”. The PNR “was a compromise, embodying some of these concepts”. But official ICTU policy was in fact more nuanced, advocating expanding semi-states activity including through joint ventures and international consultancies.⁴⁴

ICTU nevertheless suspected government of having covertly decided on a course of privatisation. Discussion papers circulating in the civil service advocated dismantling Ireland’s “extreme version” of a welfare state and for the state to withdraw from enterprise entirely. Disputes over measures which ICTU saw as weakening state enterprise continually arose on the CRC, such as the outsourcing of cargo-handling at Dublin Airport and the IDA’s refusal of a grant for an expansion at Airmotive, which ICTU criticised as “contrary to the spirit” of the PNR. The IDA had in fact supported the Airmotive project but, as if to confirm ICTU’s suspicions - though it was not informed - this had been over-ruled by

⁴³ Haughey “request” in ‘Statement on Meeting of Taoiseach with Chief Executives of State-sponsored bodies’, 22/06/87, GIS: D/Taoiseach; “standing firm” in ‘Aide Memoire. Meeting between Taoiseach and Consultative Group of Chief Executives of State Agencies, 22 June 1987: Main Conclusions’, DTA: S25857-E; splitting CIE in Sweeney 1990: 26; on CIE rescue plan TSSA leader at ICTU ADC 1988: 58; on IDA assistance, ‘Development Proposals – Mechanical Engineering Sector. Notes arising from meeting at IDA offices on 15 February 1988’, S25857-C, J. Lloyd, IDA, ‘The Engineering Proposal for SSBs is going well ...’, n.d. [April 1988], DTA: S25858-G and Malcolm Taylor, D/T&T, to O’Sullivan, D/Taoiseach, ‘re Aer Lingus-Aeroflot talks’ and attach ‘Note and AL-AF Memo of Understanding’, 07/03/88, DTA: S25858-F

⁴⁴ Begg in ICTU ADC 1988: 117; ICTU 1984; PNR V and Appendix

cabinet. The dispute festered, with government protesting disingenuously that the IDA grant-aided semi-states on the same criteria as private firms.⁴⁵

Government was determined to maintain the option of privatisation. When Coillte was established, ICTU protested at the power the bill gave the minister to dispose of shares and the absence of worker representatives on the board, as also at Teagasc. It insisted that the 1983 Telecom Act be the model for all boards, which Cassells claimed Haughey had assured him of when negotiating the PNR. But the minister, John Wilson, supported by cabinet, resisted, confidentially telling Ó hUiginn that while he would accept “participative arrangements at sub-board level” as agreed in the PNR, it was “the strong view of Government ... that members of [the Coillte] Board be appointed on their own merits and in a non-representative capacity”. The issue was provisionally resolved at Coillte and Teagasc by ministers accepting IFA and ICTU “proposals” in appointing boards.⁴⁶

ICTU also criticised the slow pace of job creation in semi-states, urging that companies be “pressured” to show results, and as its annual conference loomed, it sought a direct meeting with Haughey. He agreed to appoint a designated official from his Department, answering to the CRC, “to co-ordinate development projects in the State Sponsored area” and a “Joint Statement” on the state’s commitment to the sector with a lengthy report on progress with semi-state initiatives was published. Haughey again met semi-state chiefs to urge “rapid progress on their development proposals” and a flurry of activity ensued, with the CRC updated on a range of expansion initiatives.⁴⁷

⁴⁵ On ICTU “suspicions”, Attley ICTU ADC 1989; on “papers”, Declan McDonagh, Conference Director, IPA, to Ó hUiginn, 03/11/88, attch. William A Niskanen, Chairman, Cato Institute, ‘The Failure of the Fabian State’, DTA: S25306; on cargo-handling, Nevin to Haughey, 21/12/87, ‘Urgent’, encl. Nevin to M/T&T John Wilson, 21/12/87, ‘Urgent’, and Barry Murphy, Private Sec, Min/T&T, to Nevin, 20/01/88, DTA: S25858-D, and CRC 4th Meeting, Mar 1988, DTA: S25857-C; “contrary to spirit” in Bates, D/I&C to O’Sullivan D/Taoiseach, 21/03/88, S25857-C and CRC, ‘Summary Report of 5th mtg.’, 28/04/88 and D/I&C, ‘IDA Assistance to Public Enterprises’, 26/04/88, DTA: S25857-D; cabinet “overruling” in Draft, O’Sullivan, D/Taoiseach, to Pádraic White, IDA, May 1988, ‘Re Airmotive Ireland Ltd.’, with h/w notes 29/04/88 by Cantwell, Dorgan and Ó hUiginn, DTA: S25857-D; issue at CRC in D/Taoiseach, note, n.d. [for June 1988 CRC], ‘IDA Grant Assistance to Public Enterprises’, DTA: S25857-F

⁴⁶ On Coillte board, h/w notes. ‘Secretariat Group 16/6/88’, DTA: S25857-F; on successful development Airmotive, Sweeney 1990: 76; on Teagasc Ó hUiginn CRC to Minister O’Kennedy, 26/05/88, DTA: S25857-F; on Telecom “model”, CRC, ‘Summary Report of 7th mtg.’ 30/06/88’, DTA: S25857-F; M/Forestry to Ó hUiginn in Smith to Ó hUiginn, CRC, 07/07/88, DTA: S25857-F

⁴⁷ ICTU criticism, CRC, ‘Summary Report of 5th mtg.’, 28/04/88, and “pressure” h/w notes ‘CRC [5th mtg.]’, 28/04/88, S25857-D; “designated official” in Haughey in Dáil 24/05/88 and Joint Government-ICTU statement on job creation developments under the PNR, 27/05/88, with attached ‘Progress on the Provision of Jobs’, 27/05/88’, GIS: D/Taoiseach; on Haughey and CEOs of SSBs, CRC, ‘Summary Report of 6th mtg.’, 26/05/88, DTA: S25857-E and ‘Progress on the Provision of Jobs’, 27/05/88, GIS: D/Taoiseach

Haughey remained consistent on policy, curbing costs at state companies such as CIÉ and Irish Sugar while encouraging expanded activities by others and legislating to enable ACC bank to lend outside the agricultural sector and the ESB to engage in international ventures. He also established new state bodies, notably Coillte, though also Teagasc, Bord Glas and FÁS. The ESB launched a range of new ventures, in fish farming, fuel-ash for cement production, and international consultancy, securing “sizeable assignments in three new countries” within a month. A public-private “Overseas Services Group” marketing consultancy work, as proposed by CII, was also launched, reporting to Haughey. Liberalisation under the SEA also continued, with government assisting the establishment of private broadcasting, air transport and telecom companies.⁴⁸

ICTU’s conference in July 1988 proved a stormy affair. Attley countered hostility to the PNR “compromise” on public enterprise by stating that unions did “not have political power” and, whatever the shortcomings of the agreement, “by and large ... it [represented] a real attempt by this movement to get the policies in which it passionately believes implemented”. The only alternative government was an FG-PD coalition of “unfettered Thatcherism”, which would make “this debate ... redundant”. “Is that what you want?” Under the PNR, he said, ICTU had secured the semi-states and “started the process of stopping their run-down and returning them to what they were intended to be, vehicles for job creation”. With the issue of pay muted, the executive narrowly secured a mandate to continue with the PNR, not least on the basis of projects underway in state companies. It succeeded in having a motion passed that “the public sector should be defended, but not uncritically” and that accepted commercial criteria for semi-states, though opposing further contracting-out of public services.⁴⁹

Despite the April 1988 agreement with Haughey, ICTU-government clashes continued. The Turf Industry Bill, which the Minister for Energy described as “the most fundamental change in the Board’s remit to date”, incorporated Bord na Móna and authorised it to expand its activities, particularly in horticulture,

⁴⁸ P. J. Moriarty, Chief Executive, ESB to J. Cantwell, Secretary, CRC, 11/05/88. ‘PNR’, DTA: S25857-E; CRC, SG 39: ‘Overseas Services Group’, n.d. [April 1988], DTA: S25857-D; on liberalising measures, Government of Ireland, Electricity Supply (Amendment) Act 1988 and Agricultural Credit Act 1988; ‘The 1988 closedown: How a legal loophole led to an explosion in Irish pirate radio’, www.thejournal.ie, 29/12/2018; Murphy, G., 2016: 85; Smurfit 2014: 141-52

⁴⁹ Attley, ICTU ADC 1989: 54, 96-7; executive motion debate ADC 1988; ICTU strategy O’Dowd 1989: viii-ix

and engage in joint ventures, but also provided for sub-contracting and the closing of uneconomic activities. This provoked fury from union leaders, as the company had been closing plants and shedding thousands of jobs since 1982. Its chief executive pleaded with Ó hUiginn that its “rescue plan”, which unions within the company accepted, sought, through redundancies and out-sourcing, to put the company on a competitive footing: “far from breaking any spirit of the PNR, Bord na Móna has enshrined the spirit of the PNR in its plans”.⁵⁰

Another conflict that arose was over Department of Environment plans for local authorities to contract out waste services. An official advised Ó hUiginn that “it would be as well to avoid any specific reference to this” at the CRC, but if he had to, he could defend it on the basis that “decisions of this nature are the essence of local democracy” and to sweeten the pill could mention the involvement of local authority engineers in overseas projects! Concerned further at out-sourcing in the health services, ICTU sought a “central agreement” with the Department of Health to regulate it. But Health warned Ó hUiginn to head off any such suggestion, which would not only be “difficult ... and unwieldy” but would lead to “a clawing back of savings”. Cabinet was intent on further out-sourcing - widespread in voluntary hospitals anyway - and had instructed health boards to pursue it. It was, said the Department of Health, an issue best dealt with “locally”, and instead of any “central agreement” Ó hUiginn might suggest a “forum” be established to discuss “difficulties experienced on the ground”.⁵¹

As state companies were reviewed, selling off poorly performing ones, such as the Great Southern Hotel Group (GSHG), was increasingly recommended. But Haughey hesitated to take such a course. The semi-state TV film company, Telegael, was restructured to allow for private sector involvement, despite union complaints of “privatisation by stealth”. There was also hostility to alleged government favouring of Ryanair. The struggling airline had secured a license under the Coalition but had as yet to succeed in starting a single route in what

⁵⁰ On turf industry, Ray Burke, ‘Turf Development Bill 1988’, 20/10/88, GIS: D/Energy; ICTU reaction, Cassells to Teahon, D/Taoiseach, ‘re: Future Organisational structure of Bord na Móna’ 15/11/88 and Sean S. O’Muirí, AS, D/Energy, to Teahon, CRC, 16/12/88, DTA: S25858-N; BnM job “shedding”, Sweeney 1990: 96-100; BnM response, E. O’Connor, MD, Bord na Móna, to Teahon, CRC, 23/11/88, DTA: S25858-N

⁵¹ On “advised”, D. McKenna, APO, D/Env. to The Sec., D/Taoiseach, 24/11/88, DTA: S25858-M; on ICTU and “general agreement”, John Hurley, AS, D/Health to O’Sullivan, D/Taoiseach, attch. D/Health, ‘Confidential: Note on Contracting’, 14/04/89, DTA: S25857-Q

was a highly protected market. Cabinet agreed to give it one of Aer Lingus's Stansted slots, which ICTU decried as favouritism damaging the national carrier. On the CRC, Macra na Féirme attacked ICTU's position, accusing Aer Lingus of "demolishing Ryanair". The Stansted slot was a minor concession, Wilson saying he only wanted "to be fair to Ryanair" and give it a "reasonable opportunity to establish a presence". Given the CRC stand-off, Haughey tried to assist Ryanair in other ways, including - unsuccessfully - by trying to persuade Mitterand to allow it fly into Paris. The whole incident illustrated Haughey's social-democratic *dirigiste* preference - while government had given Ryanair minimal assistance, it simultaneously pursued new routes for Aer Lingus, into Munich and Vienna.⁵²

Despite the privatising zeal of some civil servants and state company executives, Haughey thus kept government action within the PNR framework. But from the state's perspective Ryanair was important and when Ó hUiginn outlined the CRC's concerns to the Minister for Transport, the latter replied in "strict confidence" that while cabinet was determined to support competition in airways in line with EC policy, its priority was to support Irish airlines capable of withstanding "foreign carriers". A few slots would enable Ryanair grow, but Aer Lingus would also be assisted to exploit any opening opportunities.⁵³

As state companies expanded and "commercialised", it soon emerged, as in private industry, that this produced as many job losses as gains. A June 1989 update for the CRC by the "Special Projects Officer", which Teahon suppressed, detailed the array of new projects underway, but also restructuring and sub-contracting plans virtually all involving staff reductions. ICTU, through its unions in these companies, was well aware of this and while welcoming new projects it complained that jobs were being "destroyed as fast", Ed Browne lamenting this as "contrary to the spirit of the PNR" and "against the national will". Struggling to

⁵² On GSHG, [Dignam], Ec. & Social Policy Div., D/Taoiseach, 'Development Proposals of State Bodies', n.d. [June 1988], DTA: S25857-G; on union complaints, Donncha Ó hÉallaithe, Meitheal Oibre Theilefis na Gaeltachta to Cassells, ICTU, 20/10/88, DTA: S25858-O; Ryanair "struggling", Aldous 201: 104-119, 182-4; Stansted "slot" debate, CRC, 'Summary Report' and h/w notes of 15th mtg., 18/05/89, DTA: S25857-S; MnF comments, h/w notes Secretariat Group mtg., 10/03/88, DTA: S25857-C; Minister "to be fair to Ryanair", O'Sullivan D/Taoiseach to Ó hUiginn, 'Agenda Item 5 - AOB, Dublin-Stansted', 18/05/89, encl. D/T&T, 're: PNR - CRC Mtg., 18th May: Note for Chairman, Dublin-London Route', 17/05/89', and D/T&T, 06/06/89, DTA: S25857-S; 'Haughey insisted Mitterand stop off at his home for champagne', *Irish Times*, 29/12/2019; Ryanair/Aer Lingus supports, Ó hUiginn, Chair, CRC, to John Wilson TD, Min T&T, 04/07/89, John Wilson TD, M/T&T, to Ó hUiginn, Chair CRC, 'Confidential', 12/07/89, DTA: S25857-V

⁵³ Ó hUiginn in CRC, 'Summary Report of 16th mtg.' 22/06/89, DTA: S25857-U; Ó hUiginn to Wilson M/T&T, 04/07/89, Wilson to Ó hUiginn, Chair, CRC, 12/07/89, 'Confidential', DTA: S25857-V

maintain coherence in government strategy, MacSharry stressed to ICTU its PNR commitment to a “profitable and successful commercial state sector”, but also that companies “must have flexibility” to reform. “The general question of privatisation per se is not currently under consideration” but it would be “unreasonable and unrealistic” to rule it out entirely as government “could not subscribe” to any service “currently in public hands remain[ing] so for ever”.⁵⁴

ICTU disingenuously claimed the PNR aimed to maintain and increase employment, not reduce, it, but it was well aware that semi-state commercial success, which it espoused, was incompatible with such criteria. Irish Sugar (CSET) had been prevented from closing uneconomic plants in the 1970s, and in the 1987 election Michael O’Kennedy had campaigned specifically against the closure of its Thurles plant in his constituency, threatening to prevent it by appointing directors from the local area. CSET plans required the closure of Thurles however, and unions had accepted this on the premise of alternative industrial projects. But these proved slow in materialising, creating a situation Browne warned was “intolerable ... [and] could be explosive”. O’Kennedy intervened in time-honoured fashion, forcing the company’s hand by expressing “surprise” at its decision. As the sole shareholder he “requested” CSET to halt closure pending examination of alternatives. This remained the situation throughout early 1989 as alternative projects were sought.⁵⁵

The semi-states became if anything more crucial to ICTU as job-creation in the private sector remained “disappointing”. SIPTU argued that as the single market would mean investment would concentrate at “the centre of Europe in the absence of a European industrial policy”, and with Irish companies expanding by acquisitions abroad rather than through domestic investment, state companies were the only reliable base for an indigenous “export-led industrialisation”.⁵⁶

⁵⁴ Colm Regan, SPO, [“Special Development Projects Officer, D/Taoiseach”], ‘State Sponsored Bodies’, 16/06/89, with h/w note to O’Sullivan, D/Taoiseach, 30/06/89 [“Not circulated at direction of Asst. Sec. Mr Teahon – P.O’S”], DTA: S25857-T; Browne in h/w notes of 14th CRC meeting 19/04/89, DTA: S25857-R; MacSharry, M/Finance, ‘Reply dated 18 October 1988 to Mr Donal Nevin’, ICTU’, DTA: S25858-M

⁵⁵ CRC, ‘Summary Report of 14th mtg.’ 19/04/89, DTA: S25857-R; O’Kennedy, “Open Letter”, 09/02/87, quoted in Sweeney 1990: 64; “explosive” in h/w notes 14th CRC meeting 19/04/89, DTA: S25857-R; O’Kennedy “request”, ‘Thurles Sugar Factory’, 20/01/89, GIS: D/A&F; h/w notes 14th CRC meeting 19/04/89, ‘Commercial SSB’, DTA: S25857-R

⁵⁶ Sweeney 1990: 204

Government held its hand, halting the Thurles closure and in early 1989 talking up semi-state expansion successes such as by the ESB and Aer Rianta's acquisition of hotel chains and duty-free shops in the Soviet Union. Haughey refined his position, welcoming those semi-states performing "impressively", for whom "the future can be bright and rewarding", while warning at his Árd Fheis that this would depend "entirely on their ability to perform efficiently and, where appropriate, profitably". Non-performing companies could no longer expect "huge subsidies [from] the hard-pressed taxpayer", nor the country "afford to leave large amounts of scarce resources of capital and professional skills locked up uselessly in out-dated structures". It was a statement of intent.⁵⁷

Social partnership both enabled and blocked government plans in the highly politicised semi-state sector. But the impasse could not continue, especially given problems in distressed companies and Haughey's intention to release creative potential through partial denationalisation. He was to finally achieve a resolution ending the impasse in 1990 when, with the strength of a majority coalition, he would secure ICTU acquiescence to a broad, flexible strategy towards the sector.

Nevertheless, in no area more than the semi-states, Haughey's activism belies any simple characterisation of him as a free market dogmatist. Through various initiatives since the 1960s he had been to the fore in reforms to commercialise the sector, but under his 1987-89 government not alone was the widespread clamour for privatisation resisted, but a near moribund sector facing remorseless decline was revived as a key development driver, with new agencies and enterprises founded, companies restructured through commercial opening, new ventures and international enterprises initiated and private capital input expanded. This commitment to and realisation of a mixed-economy model was a product of the state/business/union alliance of social partnership, without which the ventures outlined in this chapter would likely not have occurred.

⁵⁷ Ray Burke, 'Statement ... at the official launch of a new State Industrial Overseas Consultancy Company', 09/01/89, GIS: D/I&C; Burke in Dáil 25/01/89; Árd Fheis, Haughey 1989

Chapter 9

The politics of pay and social compensation 1987-89

Deferring reward: partnership and the politics of pay

Pay had been at the heart of the PNR negotiations, for unions, government and employers alike, a sine-qua-non for its signing, the indispensable “core deal” on which the PNR “consensus” depended. Achieving “industrial peace”, especially in the public service and wider public sector, was critical to restoring economic confidence and implementing a consistent monetary adjustment.¹

The “separate” pay agreements for the public and private sectors had similar terms. With inflation falling towards 3 per cent, these involved a first-“phase” from July 1988 of 3 per cent on earnings up to, and 2 per cent on earning above, £120 p.w., with a basic minimum of £4/p.w, followed by an similar second phase in July 1990. Additional “cost increasing claims” were disallowed and implementation was subject to “local negotiation” and company competitiveness. For traditional reasons pay agreements were voluntary and not legally enforceable, but through the PNR were linked to quid-pro-quos on tax reform increasing take-home pay and on expanding welfare. The “phases” paralleled the budgetary cycle, following Acts giving effect to tax and welfare decisions. ICTU welcomed the 1988/89 budgets as progressing the pay/tax commitment.²

A public pay agreement was essential for government, but no less for ICTU, for while the public service accounted for just over a quarter of all workers, it composed over half all union members, forming the most powerful block in Congress. The agreement’s treatment of “special claims” was crucial, a key determinant of government/union relations. The PNR restored the C&A system and allowed such claims be heard, though their actual payment was deferred. Government was intent on an initial six month pay pause and reducing public employment levels. Agreement on the first phase taking effect only in July 1988

¹ “core deal”, interviews with Cassells, Attley, O'Donnell

² Terms, ICTU and FUE-CIF 1987; not legally enforceable, Kerr 2006; ‘Statement on 1988 Budget’, 27/01/88, ICTU AR: 223-5; ‘1989 Budget and PNR’, ICTU EC meeting 30/01/89

provided the pay pause – even if softened by tax reforms taking effect earlier - and the voluntary redundancy programme achieved the staff reduction. This was bartered against a formula for “special awards” which deferred payment of the initial 40 per cent of any such awards to July 1989, with the balance to be agreed subsequently. In the event of “serious financial or budgetary consequences”, government and ICTU would “consult” “with a view to arriving at a mutually acceptable solution” and timescale for payment of the balance.³

The redundancy scheme ended compulsory lay-offs while targeting a reduction of 20,000 public service posts. The coalition’s “complete embargo” on recruitment, except to “key posts”, and non-replacement of staff exiting through early retirement or career breaks, would remain in place, to be “reviewed” in 1989. The Department of Finance reported the unexpected popularity of the redundancy scheme and the certainty of reaching its target by the end of 1989. This would reduce the civil service to the “more sustainable” figure of 27,000 where it had been “immediately prior to the [1977] ‘job creation programme’” (sic), and should be “consolidated” at that level, as should the overall reduction of the public service to 197,000. Small issues remained to upset public pay calculations, such as the “unavoidable” payment of the balance of a legacy pre-PNR special award to teachers. The refusal by the coalition to implement this had been the start of that government’s unravelling. But otherwise government needed only budget in 1988 for the initial general 2 per cent phase, which Ó hUiginn had confided to Haughey in 1987 would be covered by Department of Finance over-estimates not revealed to ICTU. The redundancy scheme delivered additional cost reductions, and special awards were not due until July 1989.⁴

This complex formula resolved public sector pay, even if unions had to accept considerable deferral. But tax reform in the meantime blunted the impact of this. The LGPSU President described the deal as a “great step forward in the context of the climate that existed in 1987” and as having “returned the Trade Union

³ Government of Ireland 1987a

⁴ PNR II (11); CRC, ‘Specific Measures ...’, 03/02/89, DTA: S25899-A; D/Finance, ‘re Point 4 of ICTU document – Public Service’, n.d. [Dec. 89], DTA: S25857-Z; McGuire, D/Educ., to O’Sullivan, D/Taoiseach, 14/04/89, attchd, ‘CRC Queries: Financial Provision for VEC Colleges’, DTA: S25857-Q

Movement to its rightful place centre-stage in national life from the position from which it had been marginalised over the previous decade”.⁵

Pay issues in the private sector were, if anything, even more complex. ICTU had insisted on the private sector being in the agreement as it was determined to reverse the 15 per cent decline in post-tax wages since 1980. Its chief concern was low pay and it had sought a statutory minimum wage to set a floor to this, but employers, and therefore government, were adamantly opposed. Haughey’s intervention had ensured FUE participation in the PNR, but only by conceding conditionality on the minimum rate, and only secured construction industry participation by promising “compensation” in public contracts for the PNR wage costs. In contrast to public service “special claims”, “cost-increasing claims” in private industry above PNR rates were rigorously excluded.

These conditions were galling particularly for workers in strong private and semi-states companies. Both government and the FUE feared that such groups, with employer connivance, could undermine the PNR by “locally” agreeing pay top-ups. Government worried that any “divergence from the agreed norms” would “ultimately make it more difficult to hold the line in the public sector”, causing the public deal “to come apart at the seams”. It therefore pressured FUE to accept the PNR as a “national norm”, apart from in distressed companies, and urged strong companies to see the “importance for national recovery” of holding to the PNR, “a package embracing not only pay but also tax concessions”.⁶

Most in the ICTU accepted the balance achieved, though anti-PNR unions with members in strong firms complained loudly of such employers “hiding behind the national interest” in controlling wages while enjoying rising profits. But they adhered to the agreement, Ahern declaring that “the great majority of pay settlements” in 1988 had been “within the terms” of the PNR. Strikes fell to a tenth of the 1980 level and those that occurred were seldom about pay, but rather redundancies or work practices. SIPTU noted only one in ten of companies it organised conceding local terms “over and above”. Cases before the Labour

⁵ *Reporter* (LGPSU), June 1989

⁶ Murphy to Minister (for Labour) ‘Pay in the Private Sector’, 24/11/87, and to Ó hUiginn, 01/12/87, DTA: S25857-A; Keegan, Sec. D/Lab. to Ó hUiginn, 04.12.87, ‘Joint Labour Committees: Pay Provisions of Agreement between ICTU/ FUE/CIF’, DTA: S25857-A

Court fell from 1,000 in 1986 to 708 in 1988 and just 450 in 1990. Industrial conflict, not just over pay but also other issues, was declining rapidly.⁷

The transition to PNR pay terms in the private sector was delayed in many companies for several years as pre-PNR agreements ran their course. At least 600 such agreements were signed in 1987 alone prior to the PNR, many running to 1990 or later, greatly relieving pay pressures. Besides these companies effectively still outside the PNR, at the other end of the spectrum were numerous distressed companies where unions had accepted “rescue plans” involving actual pay cuts, where PNR terms would therefore not yet apply. When a rescue plan in B&I, a semi-state ferry company, came up for review in 1989, ICTU even sought CRC support for the company deferring PNR terms as “space needs to be created ... to be able to respond in a positive manner to the needs which the unions genuinely have to keep the show on the road” (sic.). Private companies in a similar position included Waterford Glass, where ICTU offered to end a strike over rescue plan terms by trading a wage freeze for a workers’ shareholding.⁸

ICTU’s overriding priority in the private sector were the lower-paid, who predominated among its membership. In the absence of a National Minimum Wage, it had accepted Haughey’s adamant assurance that the PNR terms would be enforced as a “national norm”. As claims to apply PNR rates began to be lodged with the Labour Court as pre-PNR agreements expired during 1988, a satisfied ITGWU found it ruling “consistently” against recalcitrant employers and ordering PNR “norms” to be applied. It equally ruled against unions seeking above-PNR terms, and in claims for increases for productivity or changed work practices, excluded by the PNR, it regularly advised unions “to await expiry of the Programme before pressing [such] claims”. The issue of industry-wide application of PNR terms was also soon tested when a threatened strike in the

⁷ ICTU AR 1988: 58; Ahern, ‘Speech ... at the formal announcement of the Framework Agreement on Hours of Work’, 17/02/89 and D/Lab., ‘Strikes, Redundancies and Unemployment fell in 1989 – Annual Report of the Dept. of Labour’, 30/03/90, GIS: D/Labour; [Manus O’Riordan], ‘Review of the Programme for National Recovery and the role of the Labour Court’, Research Dept., SIPTU, n.d. [1990], [fax dated 23/10/90], ICTU Archive: Folder PN-1

⁸ ICTU-FUE-CIF (1987); D/Taoiseach report in CRC, ‘Specific Measures ...’, 03/02/89; McGinley (1999): 117; [Manus O’Riordan], ‘Review of the Programme for National Recovery and the role of the Labour Court’, Research Dept., SIPTU, n.d. [1990], [fax dated 23/10/90], ICTU Archive: Folder PN-1; O’Sullivan D/Taoiseach to Murphy, D/T&T, and to O’Gorman, D/Finance, 19/09/89, re B&I, attch. Stephen McCarthy, ICTU to Cassells, ‘re: B&I Wage Negs.’, 14/06/89, DTA: S25857-V; ICTU Press Statement 04/03/89, *Labour Comment*, 29/04/89; on Waterford, Cook 1992

clothing sector - covered by a JLC – caused employers to accept the PNR £4 rate across the industry. This was followed by a similar JLC agreement in the contract cleaning sector. The Labour Court thereafter consistently applied the £4 national “norm” across industries. The strong FUE resistance of 1987 against minimum rates thus evaporated, with the recovering economy doubtlessly lessening pressures on many employers who had so fiercely resisted them in 1987.⁹

Low pay and precarious work, especially among women, was a growing reality in the 1980s. From 1983 ICTU pursued a national minimum wage (NMW) to counter it, unsuccessfully seeking its inclusion in the PNR. Some unions opposed a NMW as creating a low “floor” and undermining bargaining power, as had happened in the US. But the ITGWU in particular, which had pioneered the “flat rate” in pay bargaining to benefit the low paid, now sought measures to counter what Des Geraghty called the “New Wave flexibility”. Unions must end their “ambivalence” on “marginal workers”, and rather than rely on industrial organising “concentrate our energies” on improving their position through “legal reform, tax reform and social reform”. This shaped ICTU strategy in the PNR.¹⁰

A further concession sought by ICTU for pay moderation and also as an employment-boosting measure, was reduced working hours, then a major theme across the EC. When the FUE resisted this in negotiating the PNR, Haughey in exasperation threatened a government-union alliance applying it in the public service that would force them to follow suit. A typical PNR compromise was achieved, agreeing “discussions” between the social partners and government “on a general framework within which the issue ... can be dealt” (sic).¹¹

A boardroom-type conflict, often typical of partnership, erupted at the initially friendly first meeting of the “working hours committee”, chaired by Ó hUiginn. This had only finally met in October 1988 and when employers proposed a further drawn-out talks process, a furious Attley changed the “whole tenor” of the meeting, accusing the FUE “of extreme foot-dragging”. Turlough O’Sullivan of

⁹ Labour Court Recommendation No. 11940; *Reporter* (LGPSU), June 1989; [Manus O’Riordan], ‘Review of the Programme for National Recovery and the role of the Labour Court’, Research Dept., SIPTU, n.d. [1990], [fax dated 23/10/90], ICTU Archive: Folder PN-1

¹⁰ Cordova 1986; ICTU 1989c; ICTU AR 1988: 143; Attley in McGinley 1999: 245-6; Blackwell John and Nolan Brian 1989; Geraghty in ICTU ADC 1988: 58

¹¹ McGinley 1999: 124, 135; PNR II (9)

the FUE reciprocated by refusing to continue until Ó hUiginn restored decorum. The Department of Finance, siding with employers, reported to cabinet how it had acted “to safeguard Exchequer interests” by ensuring that “net” hours only were calculated (“excluding lunch breaks”) and that “spin-off” claims would “not be entertained”. “Another most important feature”, it reported, was that despite ICTU’s demand for a July 1989 deadline for the reform, employers had “refused to concede”, insisting on “local negotiation”. But after several meetings an agreed “General Framework on Working Hours” emerged. This conceded a one-hour reduction phased in over three years, subject to “local” or JLC sector/industry negotiation and competitiveness “implications”. Launching it in February 1989, Ahern stressed the role of the Labour Court in ensuring a smooth introduction.¹²

The Department of Finance estimated that the measure would cost £24m in the public sector annually, with the main cost falling in the health services and local authorities. But the “budgetary allocations for special pay increases generally” for 1989 (including the Gleeson report’s “interim award” for senior officials) included no provision for this. Government therefore stalled in “local negotiations” on it, with talks still on-going in many bodies into 1990. With this pace set by government, employers followed, with few private sector agreements on reduced hours concluded by late 1989, covering just 18,000 workers.¹³

The complex agreements on pay and working hours on which the entire PNR depended, however drawn out, nevertheless delivered both “industrial peace” - a key factor in economic stability - and reduced budgetary pressures. While the state and private employers achieved a notable deferring of cost inputs – art from tax - until 1989, unions secured an ideal public service agreement, even if subject to considerable deferral and budget conditionality. For private sector unions, the achievement of minimum PNR rates and working hour reductions as nationally applicable, and on-going tax, welfare and social policy reforms

¹² [O’Sullivan, D/Taois.], ‘Drafting Group on Reduction of Working Hours’, n.d. [Jan. 89], DTA: S25858-O; Office of M/Fin., ‘Aide Memoire for Govt. Mtg. on 10 February. Framework Agreement on reduction in working hours’, DTA: S25858-P; PNR, *General Framework on Working Hours*, [17] February 1989

¹³ Office of the M/Fin., ‘Aide Memoire for Government Meeting on 10 February 1989’, DTA: S25858-P; N.T. O’Gorman, D/Finance, to O’Sullivan, D/Taoiseach, 21/11/89: ‘Re: ICTU meeting with Taoiseach’, 24/11/89, encl. ‘Briefing Note re reduction of working hours’; CRC, ‘Report of Bilateral Meeting [Departments] with Representatives of ICTU on 8 Nov. 1989’, and h/w notes of the meeting, DTA: S25862-D; D/Environment fax to D/Taoiseach, 06/07/90: n.t., DTA: S25858-Z6; h/w notes, ‘CRC, Bilateral Meeting [Departments] with ICTU’, 08/11/89, DTA: S25862-D

providing incremental improvements, benefited many hundreds of thousands of working class families. For government, the deferral of special award payments, the continued reduction of public employment and the recruitment embargo, pending “review”, were major benefits. The slack provided by the overlap of pre-PNR pay agreements in many strong companies meant unions in the private and semi-state sectors were relieved of pressures from the PNR ban on local add-on claims. But these private sector pay and public service pressures were only deferred, cushioned by tax reforms and pre-PNR arrangements running their course, and would forcefully return to the partnership agenda from late 1989.

New paradigms: Rural Development and Long-term unemployment

Already from 1988 the focus of social partnership began to shift from core economic/industrial policy as the “turnaround” saw the PNR recovery formula gain wide acceptance. Continued high unemployment and a realisation that it would not be solved quickly moved centre stage. The integration through the NDP of the EC structural funds with the PNR further strengthened the shift to compensatory social policy. Two particular interventions to emerge were firstly “integrated rural development” (IRD) and secondly measures to combat what was identified as a “new phenomenon” of long-term unemployment (“LTU”) in deprived urban areas. This occurred as a new economy with new growth sectors rather than a recovering old economy emerged. Compensatory policies on tax compliance and social reforms also assumed greater prominence. How initiatives in these areas evolved is critical to the re-shaping of partnership that ensued.

On IRD, Haughey had long been an advocate of promoting off-farm rural enterprise, even before CAP reform. Both Macra na Feirme and ICOS had developed ideas on how local interests might drive a process of socio-economic regeneration through an “Integrated Rural Development” programme (IRD) and, with IFA support, pilot IRD projects were included in the PNR. While this approach meshed with thinking in Brussels, it pre-dated the EC programme and had domestic roots. Local initiatives building on co-operative traditions had been supported by government through the Combat Poverty Agency (CPA), for

example in North Mayo. Many local development groups campaigned to be included in the programme. Macra na Feirme saw the potential of IRD to overcome the “fundamental weakness in our structures” of local government, especially their impact on socio-economic development. Haughey had been acerbic in his scepticism of local government having the competence to drive development in Dublin, and was no less so in relation to rural Ireland. He had welcomed Macra’s proposals, included their pilot IRD projects in the PNR, and had expanded these pilots into a nationwide programme under the NDP.¹⁴

In preparing the NDP, government had asked the Department of Agriculture for proposals for this IRD programme. When it returned with a plan for a Department-run scheme of “programme activators” overseeing “local economic and social improvement”, Haughey intervened furiously through Ó hUiginn to scupper it. Ó hUiginn told Agriculture that while it was unprecedented for a Taoiseach to criticise departmental plans, it was to note his views on this. The purpose of IRD was to generate enterprise in a post-CAP reform environment, with projects focused on disadvantaged areas and building on existing initiatives. Government officials would only “stifle local initiative” rather than stimulate it. Local bodies, both state and voluntary, should instead be “mobilised” by outside “co-ordinators” to “lead, stimulate and foster local initiative” rather than, “as you put it”, oversee “improvement”. The model Haughey “envisaged” was the CPA-funded project in Mayo or that proposed by the West Kerry Development group. The Delors Plan was only in preparation, but had the Department, he asked, even sought “advance drafts” of its ideas? If not it should do so, and return with fresh proposals incorporating Commission “thinking” and what might “fit in with it”.¹⁵

In 1987 Delors had launched a discussion paper *The Future of Rural Society* which, as agriculture minister O’Kennedy put it, rejected the “US model” of abolishing rural subsidies due to the “intolerable social and economic cost” involved, promoting instead strengthening the “economic and social fabric in rural areas” through off-farm, quality local enterprise. Delors foresaw an “area-

¹⁴ PNR V (20); Dr Fergus O’Ferrall, Chief Executive, Macra na Feirme, to Pat O’Sullivan, D/Taoiseach, 13/09/88, ‘Re: Structural Funds’, DTA: S25857-I; h/w note of meeting SG, 05/010/1988, DTA: S25857-I and ‘Action Points from SG mtg. on 5 October’, 12/10/88, DTA: S25857-J

¹⁵ Ó hEigeartaigh, for Sec., D/Taoiseach, to Sec., D/A&F, for attn.. Dr Ted Atwood, 15/01/88, DTA: S25858.D

focussed” programme to “harness local energies, imagination and enthusiasm”, supported by central and local government and the private sector.¹⁶

The Department of Finance seized on the focus in draft EC guidelines on assisting poorer and converting regions and “speeding up” agricultural adjustment and rural development in anticipation of CAP reform, to propose structural fund co-financing for projects involving the private sector. Macra na Feirme sought the inclusion of community resourced projects, and once this was achieved, Government “subsumed” its IRD plans within the ERDF programme, as a chapter of the NDP. But various agencies had already been re-oriented towards “local development”. In 1988, for example, Shannon Development (SFADCo) was re-directed to support voluntary enterprise groups, community co-operatives and other projects on a county “enterprise plan” basis across the South-West, as well as in Limerick city, where it partnered with the City Renewal Scheme.¹⁷

The IRD programme thus emerged organically, but adjusted to “fit in” with Commission thinking. What emerged in Ireland would rapidly become a “model” for how IRD was developed by the Commission as a Europe-wide programme. One of the most successful rural development programmes since the foundation of the state thus took form through the integration of the PNR and NDP, and became a model for European rural regeneration and economic organisation.

In urban social regeneration, a unique model also emerged to tackle the very different issue of long-term unemployment. It would be shaped by a combination of European policy re-think, organic local responses to social crisis, and policy innovation by the organisations of the CRC under the PNR.

The social impact of de-industrialisation had led the OECD’s minister-level Social Affairs Committee in 1986 to identify a “new phenomenon” of “long-term unemployment” and propose targeted measures of special education and “active labour market policy” to tackle it. Creating industrial jobs and training people to fill them was seen as no longer functional in addressing this unemployment

¹⁶ O’Kennedy, ‘Statement ... launching the Annual Review and Outlook for the Agricultural and Food Industry’, 18/01/89, GIS: D/A&F; EC Commission, 1988a; D/Finance, ‘Future Development of the ERDF’, 14/03/88, S25857-C

¹⁷ D/Fin., ‘Future Development of ERDF’, 14/03/88, S25857-C; O’Ferrall, MnF, to O’Sullivan, D/Taoiseach, 13/09/88, ‘Re: Structural Funds’, DTA: S25857-I; Tom Dunne, MD, Shannon Development, ‘Partnership approach positions Shannon region for the 1990s’ [Press Release], 03/01/89, DTA: S25857-N

given its geographic concentration and the type of skills the emerging economy required. The term “LTU” was coined to refer to people with obsolescent skills, over a year unemployed and caught in a cycle of joblessness. A “ratchet effect” meant that while LTU increased in recessionary periods, it did not similarly decline when growth resumed, and this group became trapped in a downward spiral of labour market exclusion and disadvantage. Unemployment in Europe declined in the 1980s, but long-term unemployment remained stubbornly high, accounted for nearly half of all those out of work in Ireland by 1988.¹⁸

The OECD declared the supply-side vocational training solution of the full-employment era redundant, promoting instead an area-based approach to LTU and labour market “disadvantage”. The methodology it proposed was one of “re-orientating” programmes to “particularly disadvantaged groups”, “improving motivation, life skills and job search techniques”, compulsory testing, jobs clubs, self-employment, “social employment” projects supplying non-economic but socially useful services, and “additional and still ‘heavier’ forms of aid” for the “more seriously disadvantaged”. The aim was to re-integrate the unemployed through new service jobs, or to occupy them to produce “societal benefits in the form of reduced unsocial behaviour, lower levels of ill health etc”.¹⁹

This OECD policy was controversial and only finally adopted in 1989, before the EC. The European Social Fund (ESF) had been established by the Treaty of Rome as a “compensatory measure” to assist workers dislocated by industrial restructuring to retrain for new jobs. But policy drift saw it increasingly used from the 1970s to counter youth joblessness and social marginalisation. By the 1980s Irish vocational training was fully one-third funded by ESF, the highest rate in the EC. In 1988 Delors questioned the fitness of Europe’s social protection systems to counter the new social rather than economic phenomenon of poverty, “a cancer growing away in our society” that allowed the new poor “slip through the meshes of the social protection net”. Measures under the ESF specifically to “combat social exclusion”, then a new term, were only finally adopted in 1989.²⁰

¹⁸ OECD 1988a; Bond 1993b: 26-9

¹⁹ OECD 1988a: 34, 48, 96

²⁰ On ESF, Ó Cinnéide 1993b: 14; “financed by ESF” Mangan, I., 1993: 64-5; “meshes” Mangan, G. 1993d: 44; ESF reg. Council of the EC, 1989, ‘Resolution of 29/09/1989 on combating social exclusion’, 89/C 277/01

As these EC policies had yet to clarify, the PNR initially adopted a traditional approach to unemployment, assuming that job creation would gradually erode it as the collapsed industries of the Lemass-era recovered. It referred to “disadvantaged areas” only in terms of educational needs, and made no mention of geographic concentrations or “long-term unemployment”. But as industrial strategy under the PNR, for all its successes, hardly dented unemployment, the issue began to dominate the CRC, especially after the Structural Fund regulations appeared proposing investment in “converting regions” affected by industrial decline and urban concentrations of high unemployment. The ESF was re-designated “to combat long-term unemployment and facilitate the occupational integration of young people”, with proposals to be submitted by June 1989.²¹

Following the EC Council’s adoption of the Delors Plan in early 1988, ICTU raised the issue of “unemployment ‘blackspots’” on the CRC, proposing supports be “concentrated on ... [the] long-term unemployed areas of big cities... rather than spreading them across the country”. The IFA opposed this on the basis that average rural incomes were lower than urban ones, but government, siding with the ICTU, commissioned a “study on Dublin” from such a perspective. The 1988 ICTU conference was dominated by the jobs question and demanded that social investment be focused on “unemployment blackspots”.²²

The CRC debated the grim prognoses of the OECD’s “LTU report” and its recommendations. Ó hUiginn told government that concrete projects along such lines were now essential for ICTU, which was under pressure to “show that their membership of the CRC is fruitful”. After the Commission unveiled its proposed “Community Action Programme” to “foster the Economic and Social Integration of the Least Privileged Groups” in December 1988, Cassells proposed the establishment of a CRC “Sub-Group on Job Creation” to evaluate job creation measures and develop proposals to address “the position of the long-term unemployed”. The CII supported this as “a logical extension of PNR strategy” and government readily endorsed it.²³

²¹ PNR IV (15)-(17); D/Finance, ‘Future Development of the ERDF’, 14/03/88, S25857-C

²² CRC, ‘Summary Report’ and h/w notes of 4th mtg.’ 24/03/88, DTA: S25857-C

²³ “LTU Report” in CRC, ‘Summary Report of 15th mtg.’, 18/05/89, “fruitful” in O’Sullivan to Sec [Ó hUiginn], D/Taois., ‘Job Creation: Proposal to establish Group to examine initiatives to create additional jobs’, 19/05/89 in DTA: S25857-S; Commission proposal in EC Commission 1988d; Sec. [= Ó hUiginn] to

The CRC “Sub-Group” met twenty times over six months. It consisted of the same personnel as the “Secretariat Group”, which suspended its activities for the duration. Its objective was to assess likely job creation under the PNR/NDP and propose “feasible measures to improve the level, and speed up the process of job creation (productive and social) and training, having particular regard to the position of the long-term unemployed”. It was supplied with material by all departments, especially on widening education access, as well as analyses by the OECD and reviews of pilot projects in other EC countries. The Department of Labour supported the OECD proposals for “targeting” groups, while ICTU pressed for an area based focus. The group concluded that even if PNR targets were met, unemployment would remain above 200,000 beyond 1992, that the long-term unemployed would benefit least from new jobs being created, and that well-resourced social programmes were therefore essential in target areas.²⁴

A “Ministerial Committee on Employment” chaired by Ahern adopted proposals emerging from the Sub-Group and incorporated them into NDP plans. National regulations were changed to enable educational access for the unemployed and new education initiatives targeting deprived urban areas, notably Youthreach. Ahern urged ICTU in the sub-regional NDP planning groups to “ensure the needs of unemployment blackspots are taken into account”. Civil servants offered some resistance on cost grounds and fearing disincentives to job seeking, but they also realised the value of such measures in suppressing unemployment figures, especially given demographic pressures, the need for widespread upskilling and the undeniably high rate of youth unemployment. The new employment/training agency, FÁS, re-oriented from traditional training to developing “integrated area plans” that prioritised LTU measures.²⁵

Taoiseach. ‘Subject: Sub-Group of the CRC to examine initiatives to create additional jobs’, 22/05/89, DTA: S26122-A; O’Sullivan to Ó hUiginn, D/Taoiseach, ‘re Agenda item 2 – Job Creation’, 18/05/89, DTA: S25857-S; CII on “logical extension” in CRC, ‘Summary Report of 15th mtg.’ 18/05/89, DTA: S25857-S; government endorsement in Cruinniú Rialtais 23/05/89, DTA: S26122-A

²⁴ CRC Sub-Group on Job Creation’ (SG-JC), ‘Summary Report of 1st mtg.’, 27/06/89, and documentation for the 2nd CRC SG mtg. inc. Sexton 1988, OECD 1988b, Prof Kennedy (ESRI) paper on Swedish labour market policy and the CSO 1988 *Finance Survey*; D/Labour position in h/w notes 1st mtg., ‘Sub-Group on Job Creation’, n.d. [28/06/89], and SG “conclusions” in h/w notes 1st meeting, all in DTA: S26122-A

²⁵ ‘Ministerial Committee on Employment. Summary of Recommendations and Conclusions’, n.d. [June 1989], DTA: S26122-A; ‘Government Statement’ [on ESF priorities], 22/03/89, GIS: D/Taoiseach; h/w notes of 14th CRC meeting 19/04/89, and D/SW, ‘Options to allow the unemployed to engage in education courses’, 02/05/89, DTA: S25857-R; on Youthreach and other measures, Mary O’Rourke, ‘Address to TUI Conference’, 29/03/89, GIS: D/Educ.; on Haughey urging ICTU in NDP planning groups,

This speedy response and the raft of new measures launched occurred in the run-up to the “surprise” election of May 1989, but nevertheless represented a strategic re-orientation of labour market policy and programme reform, and was welcomed by the CRC. But re-focusing the CRC to this policy area also reflected the re-orientation of social partnership itself from its original primary focus on macro-economic policy to measures of social compensatory adjustment.

The politics of “unemployment black-spots”

The PNR had not included measures on long-term unemployment or urban “black-spots”. But the confluence of the OECD policy departure, the CRC “Sub-Group” and the opportunity of the EC-co-funded NDP saw them now emerge as a priority. This led to initiatives by a receptive government willingly adopting an approach urged on it by an alliance of the ICTU and a new “community sector”.

Haughey’s view of the relationship between economic and social progress saw the economic as primary, as reflected in his interventions on rural and urban renewal strategy as already described. Ó hUiginn made this ordering of priorities clear in a clash with the CHDDA. When his IFSC Committee criticised CHDDA’s rents policy for dis-incentivising finance firms from locating to the docklands, its chairman, Frank Benson, responded that his remit was physical regeneration, funded by rent receipts. Ó hUiginn put him on notice that the IFSC was “the major Government concern in regard to the Docks development [and] must be seen to be the objective of the development and not the other way around”.²⁶

The CRC for its part criticised the CHDDA from another perspective, wanting its remit expanded from physical renovation to social objectives, and extended to the inner city generally while focusing on “employment black-spots”. Unions’ concern for such crisis areas was due to their historic roots and base in them. But the old leadership role of union activists in these communities, where long-term unemployment now often topped 40 per cent, was disappearing, and replaced by a new movement of community activists. Some of the new groups still emerged

NT O’Gorman, D/Finance, to O’Sullivan, D/Taoiseach, 03/11/, DTA: S25858-M; on emographics and youth unemployment, OECD 1988b and Power 2009: 167; re-direction of FÁS, D/Labour, ‘CRC Sub-Group on Job Creation, Information requested at 1st mtg.’, 27/06/88’, DTA: S26122-A; Ahern ‘Speech at launch of FAS Dublin Regional Plans’, 08/06/89 GIS: D/Labour

²⁶ Benson to Ó hUiginn [18]/12/88, and Ó hUiginn to Benson, 04/01/89, DTA: S25306

from the labour movement, like the Larkin and Ballymun Jobs Centres, but others like Tony Gregory's NCCCAP, the Ballyfermot Action Group and Tallaght Welfare Society were more often led by community or social workers, college-educated and espousing an "empowerment" philosophy. This was shaped not by labour movement traditions but US civil rights thinking and social psychology theory. A major influence was Dr. Ivor Browne's "Foundation for Human Development", which sponsored projects in the city promoting "empowerment" through community development. The new groups networked through the Community Workers Co-op, which aimed "to build on the principles of local community level participation" towards "a radical reshaping of democracy at the national level".²⁷

Despite unions' strong attachment to tradition, the unifying class identity of the labour movement was fracturing with the rise of middle class public service interests in the ICTU and the emergence of a working class stratum detached both from regular work and the union movement. In 1987 the Irish National Organisation of the Unemployed (INOUE) was formed on the lines of similar initiatives of the past, seeking a structured role in the ICTU. But, despite its aspirations to mass mobilisation, it was soon dominated by community activists. In the 1980s ICTU sought the support of the new community movements to reinforce its social policy credibility while resenting their encroachment onto its territory and encouraging local trades councils, which had lost their industrial relations function, to revive the movement's community leadership role by forming "unemployed action groups" and "centres for the unemployed". It only finally agreed in late 1987 to meet the INOUE to discuss "possible links" but avoided the formal tie-up "envisaged" in the INOUE constitution. By 1989 talks had advanced only to "consultation" on "issues of mutual interest".²⁸

Given the tensions in this alliance and its state orientation, the ICTU in proposing how local initiatives in "black-spots" should be organised under the NDP initially foresaw joint "task-forces" solely of social partners and state

²⁷ CRC view of CHDDA, h/w notes CRC mtg. 26/10/88, DTA: S25857-J2; *Irish Times*, 27/10/88; on the Larkin and Ballymun Centres, O'Connor, P. 2009 and inf. Michael Creedon; on the "Foundation", Browne, I., 2009 and Rafferty and McCarthy eds. 2019: 27-32; "aspirations", Larragy 2006: 383

²⁸ Allen at ICTU ADC 1988: 41; Chabanet and Royall 2009: 286; on predecessor movements, Kilmurray 1987; on INOUE membership, Int. Monks; INOUE-ICTU relations also Chabanet and Royall 2009: 273-4 and McGinley 1999: 158; on "Centres", ICTU ARs 1984-8; Royall 2009:132; "envisaged in constitution" ICTU, AR 1988: 281 and "mutual interest" ICTU AR 1990: 3

agencies such as FÁS, local government and the VEC. But soon Haughey's much-derided "Gregory Deal" of 1982, with its integrated community-based approach of school, community and social employment projects, overseen by a coalition of agencies and community groups, emerged as the preferred model. Many such micro-projects had survived with EC poverty funding, and community activists urged ICTU to support the approach, which it did finally promote on the CRC.²⁹

Haughey immediately responded to this CRC proposal when launching the Custom House project in September 1988. An "integral feature" of inner city renewal would be to "provide local employment and help create in the local community a sense of involvement ... [in] the creation of this new environment in their area". This "commitment to involving the local community" through "established local groups" would extend to "preferential consideration" for local residents in job recruitment, and cooperating "with developers and statutory agencies" to provide "appropriate education and training programmes".³⁰

A range of sub-areas of Dublin, Limerick and other towns were designated "disadvantaged" on the basis of unemployment level. An initial pilot project was developed for Tallaght, a deprived working class suburb declared a "social and economically disadvantaged area". In addition to tax-incentivised construction, including a new "town centre", the project involved social interventions under an "Integrated Area Development Plan" delivered by local community organisations. At ICTU instigation, the FÁS social employment scheme was re-configured to combine social with training objectives, despite Ó hUiginn cautioning that the EC was likely to resist any such change to a social- rather than economic focus.³¹

"Integrated" social planning in Dublin Inner City, Limerick and Tallaght thus already began under social partnership in 1988, before their usually assumed initiation by later EC programmes. The new schemes, like rural development, had a strong organic origin, mobilising local groups as their driving element. Ahern articulated this when he described FÁS's role in the Tallaght plan as to "provide a flexible response to the pressing needs of the new town" and "co-

²⁹ ICTU proposals for local bodies, Sub-Grp on Job Creation, 'Report to the CRC, October 1989', DTA: S26122-E; "Gregory Deal", Lee 1989: 508; projects with EC funding, Interview with Inner City Group

³⁰ Haughey, 'Address laying foundation stone for the IFSC', 22/09/88, GIS: D/Taoiseach

³¹ 'Tallaght', n.d. [Nov. 1988], DTA: S25858-M; h/w notes of CRC 15th mtg., 18/05/89, DTA: S25857-S

operate with all relevant community groups ... to promote employment and ... the development of ... small businesses". This, he said, pre-dated EC proposals now emerging, but would fit "admirably" with them. In their early years, these projects would attract widespread acclaim for their innovative impact.³²

Managing despair: government policy and "anti-poverty" politics

The beginnings of the integrated local development plans described above were accompanied by an overhaul of social policy-making at the institutional level. One of ICTU's major tactical aims in the PNR had been to ring-fence welfare spending. While this was achieved, its larger objective of a fundamental welfare state reform proved more difficult. As with its alliance with the community sector on local development strategy, to overcome how it often found itself "alone" in social partnership on social policy ICTU formed an alliance with campaigning poverty groups to force the pace of institutional reform. These groups had mostly evolved from Church-based charities, traditionally, as dramatized in James Plunkett's novel, *Strumpet City*, hostile to unions. But since the 1960s liberalisation of Catholic doctrine, many had turned to campaigning for system change and "social justice", raising demands similar to the ICTU.³³

Ireland's health and welfare systems involved extensive subcontracting to voluntary organisations. This gave such groups significant leverage, with the NESC noting in 1981 how welfare provision had evolved in "pragmatic piecemeal reaction to perceived needs, often as advocated by organised interest groups". Welfare minister Michael Woods, a conservative Catholic, commented how the St. Vincent de Paul Society had "changed enormously" from providing charity for poor people to "attempting to get to grips with the root causes of poverty" through policy change and economic projects in deprived areas. Fr. Seán Healy, head of the "Justice Office" of the Conference of Major Religious Superiors (later CORI), emerged as a prominent advocate of a "minimum income" as a response to poverty given what he saw as the unlikely return to full employment.³⁴

³² Ahern, 'Speech at launch of the three FAS Regional Plans for Dublin', 08/06/89, GIS: D/Labour

³³ "alone on social policy", Interview O'Donovan; on Catholic social reform, Dorr, D. 1992: 228-317; Interviews with Fr. Frank Sammon and Bill Toner SJ

³⁴ On health system, Carey 2007; NESC 1981c; 'Saint Vincent de Paul to create 1,000 Jobs', n.d. [05/89], GIS: D/SW; on Healy and "minimum income", Larragy 2006: 384

In 1986 the coalition government had established the Combat Poverty Agency (CPA) to liaise with voluntary groups and advise on welfare reform. CPA urged implementation of the Commission on Social Welfare's recommendations, and the introduction of a "basic minimum income" and a "national anti-poverty plan". As the PNR was being negotiated, CPA urged that "the plight of the poor" be given "equal importance" to debt reduction and job creation, and lobbied ICTU for "closer liaison" between government and the voluntary "sector" in determining policy. The sector was supported by the Left, with Workers' Party leader Proinsias de Rossa championing CORI's objectives and proposing a "rainbow coalition" of "progressive forces" to transform welfare policy. Similar calls were made by WP-affiliated union figures, notably Des Geraghty.³⁵

ICTU had sought the inclusion of CPA proposals on social and budget policy in the PNR, and secured a commitment to structured policy consultation with voluntary groups. Its preference was for a CPA-led approach, given CPA's formal statutory status and ICTU's chequered history with voluntary organisations, and urged that CPA be given a central role "coordinating" the sector. In November 1988 the first "Pre-Budget Forum on Social Welfare" under the PNR took place, hosted by Minister Woods and attended by nine invited groups from Vincent de Paul to the INOU. ICTU, in liaison with CPA, then sought a permanent "advisory body", under CPA "auspices", of "groups concerned with poverty" to advise government on reform. While the CRC supported this, Woods opposed it, though agreed to post-budget "dialogue" and instituted the pre-budget "forum" as an annual event. In what a dissident Labour journal dubbed "a Vincent de Paul budget", he also greatly expanded state grants to voluntary groups, cementing what would become a symbiotic relationship between the state and the sector.³⁶

ICTU's relationship with the CPA developed into a firm alliance. Before the 1989 budget, it met with CPA and "various groups and organisations concerned

³⁵ CPA programme in CPA 1987; "equal importance" in Noreen Kearney, CPA, to Nevin ICTU, 09/09/87, in ICTU Archive: GS-PA-1a, National Talks, 1987; de Rossa in Dáil .../01/89; Geraghty in ICTU ADC 1988: 58

³⁶ PNR IV (6); 'Pre-Budget Forum on Social Welfare', 25/11/88, GIS: D/SW; ICTU seeks "advisory body" in Cassells ICTU to Ó hUiginn, 28/02/89, DTA: S25857-R; D/SW, 'Establishment of an Advisory Body on Social Welfare', in documents for 14th CRC meeting 19/04/89, DTA: S25857-R; CRC, 'Summary Report of 14th mtg.', 19/04/89, DTA: S25857-R; O'Sullivan, CRC, to Colm O'Neill, D/SW, 24/05/89, and CRC, 'Summary Report of 15th mtg.', 18/05/89, DTA: S25858-S; Colm O'Neill, D/SW, to O'Sullivan, Sect to CRC, D/Taoiseach, 31/01/89, DTA: S25858-O; 'A St. Vincent de Paul Budget!', *Labour Comment*, 04/02/89; on state funding of vol. organisations, 'Saint Vincent de Paul to create 1,000 Jobs', n.d. [January 1989], GIS: D/SW and Mangan, I., 1993: 79

with poverty and low pay” to agree a joint “Anti-Poverty Campaign”. The CPA coordinated the sector’s input and ICTU brought this to government through social partnership. The ICTU and CPA hosted a joint conference on poverty and unemployment and ICTU’s own budget submission included many CPA proposals for tackling poverty, including a national anti-poverty strategy.³⁷

As with the new community role in urban regeneration, Haughey welcomed the inclusion of campaigning groups in social policy making through social partnership. While this was the start of this new sector’s role in the system, reinforcing the shift to a social policy compensatory focus, it also benefited government by providing new policy input to rectify system dysfunctions. Its involvement initiated the overhaul of the welfare state that, through the 1990 PNR review process, would form a key element of the follow-on PESP agreement.

Social compensations and state modernisation

Besides local economic development and welfare state reform, other PNR inputs which combined social compensatory and state developmental functions included the reform of tax enforcement, the black economy and business regulation. Since the 1979 tax revolt, tax reform, as variously interpreted, had remained high on the political agenda. Besides core PNR commitments reducing taxes on workers and businesses, the ICTU and NESC had stressed the need to achieve tax “equity” by extending the tax base and combating evasion among privileged groups such as farmers, the professions and self-employed, and improving regulatory compliance generally. Finance had disputed many of ICTU’s demands but government conceded legal reforms, expanded Revenue powers and new instruments for compliance enforcement.³⁸

The full extent of tax evasion was later revealed, not least widespread registering by citizens as “non-resident” for tax purposes and use of offshore accounts. Government surprised many by honouring its PNR commitments, expanding Revenue’s powers in 1988 and changing regulatory controls to improve compliance. Systemic tax dysfunction led to MacSharry’s 1988 “Tax

³⁷ ICTU EC mtg. 15/02/89, item 160; Callan et al (ESRI) 1989; ICTU budget proposals, ICTU Spec. EC mtg. 30/01/89, item 1584; ICTU 1989b

³⁸ PNR III (3)-(5), (9)-(15)

Amnesty” which enabled evaders avoid penalties by settling liabilities, netting £200m. Farmers were for the first time made liable for PRSI on the same basis as the self-employed and company law on directors’ responsibilities was reformed as initially planned by the 1980s coalition. Establishing the new systems proved slow, but a comprehensive reform was begun, union leaders even defending the amnesty as “vindicate[ing] totally” their claims on the extent of tax evasion.³⁹

Partnership shielded government politically in implementing these unpopular reforms, presented as ICTU’s price for partnership. But the modernisation process greatly benefited the state both in revenue terms and institutional credibility. MacSharry, announcing the measures, said the “scandal of tax default and tax evasion must end”: “There is a growing feeling of confidence that a fairer and more effective system is possible” and “the present year will be seen in retrospect as a turning point in our efforts to improve our tax system”. The tougher regulatory regime was of a kind with cabinet’s rejection of a secret retail model for the IFSC. Though the tax system would later be further tightened, making it an international model, this was another area where the decisive initial steps towards reform and modernisation were instigated under the PNR.⁴⁰

The modernising function of the PNR was also reflected in its tackling of the endemic “black economy”. When the CIF announced its withdrawal from a monitoring body set up under the PNR for its industry, government pressured it to remain, “in the interests of the PNR”, by threatening to tighten tax rules on public contracts if it didn’t. The Department of Labour’s inspectorate was also strengthened and particularly targeted illegal practices in the hospitality sector. There was considerable resistance to this, “a major problem” being that “the full co-operation of the employee is needed and this is not always forthcoming”. The PNR nevertheless began the rolling back of the large illegal economy.⁴¹

Contrary to a common perception of Haughey’s government as inaugurating an era of “light-touch regulation” and “corruption”, the PNR in fact heralded a

³⁹ *Reporter* (LGPSU), June 1989

⁴⁰ MacSharry ‘Address at launch of Institute of Taxation’s 1988/89 Summary Booklet’, 20/10/88, GIS: D/Finance; on IFSC taxation debate, see chapter 6

⁴¹ On CIF threat to withdraw, Cassells ICTU to Ó hUiginn, 25/04/89, and Ó hUiginn to Tom Reynolds, Director General, CIF, 27/04/89, DTA: S25857-R; on D/Labour enforcement, D/Labour, ‘Note on Enforcement of Hotels and Catering EROs and the Protection of Young Persons Employment Act, 1977’, attached by Bonner, D/Labour, to Teahon, D/Taoiseach, 08/09/89, DTA: S25857-V

turn towards a significantly tightened regulatory regime. Indeed, as if to dispute the popular view, ex-Finance Minister Charlie McCreevy, in an injudicious statement shortly before the 2008 crash, claimed that it was only from 1997 that Ireland moved from a high regulatory environment to a regime of “low taxation, light-touch regulation and open and flexible markets”.⁴²

Irish model: a state-*dirigiste* globally active mixed-economy

In summary, by spring 1989 the contours of the emerging “Irish economic model” were becoming apparent. This was shaped by a confluence of exogenous influences, opportunities and constraints and how these interacted with the policies of an activist government, autonomous economic development and the constraints, agendas and constituency pressures of social partnership.

The exogenous opportunities were first and foremost the emergence of the EC Single Market, though until mid-1989 this was hesitant and disputed, with the EC Council prevaricating on fully committing to it. The contested Delors Plan nevertheless calmed markets, halted inflation and stabilised interest rates, providing an ideal environment for an active interventionist Irish government.

The Haughey government early identified the opportunity the European development presented, not only the potential through EC “convergence” strategy for infrastructure modernisation, but also by exploiting the putative single market not primarily for exports of goods and services – though also that – but as a lever to position Ireland as the prime entry point for global capital into it. It thus pursued a dual strategy of EC investment and pre-emptively opening to capital movement, aligning closely with the pro-integrationist powers at EC level.

The PNR had assumed the primary driver of an industrial and employment recovery would lie in selected large-scale indigenous industries supported to attain international competitiveness. The travails of the beef industry has tended to obscure successes achieved by 1989 in other areas of this strategy, in tourism, forestry and timber, the arts, dairy foods, marine, horticulture and construction. Successful internationally trading indigenous companies emerged for the first time, though growing more by exploiting the opportunity of capital opening, with

⁴² “common view”, e.g. Fintan O'Toole, ‘The corruption of Irish banking goes back 30 years’, *The Irish Times*, 24/10/2017; McCreevy in ‘Foreword’ to Power 2009: xviii

their employment impact “disappointing”. The initially secondary, quality-driving role envisaged for FDI – of which Haughey’s close circle remained sceptical – was soon seen to have been “misplaced” as FDI “surged” past domestic industry in growth and employment. Policy switched to exploit this, targeting specific FDI sectors. At the other end of the spectrum, small-scale ventures, initially not prioritised in national strategy, also proved a “surprising” success sector, and by early 1989 policy also began to change to support this. The third success were the semi-states which, freed to expand commercially, enjoyed rapid business, though also not employment, expansion.

Social partnership provided both a stable economic environment attractive to investors in both its medium-term planning and intangible capital inputs, establishing historically unprecedented wage certainty and social peace, and boosting labour quality through a host of state-subsidised social, educational, labour market access, regeneration and production modernisation programmes.

The new economy being generated through the confluence of opening global opportunities and state activism was a mixed-economy model, characterised by an activist state sector and a level of state interventionist *dirigisme* of the private sector which an I&C official described as hardly short of socialist planning. The fall of the Berlin Wall in November 1989 and further global opening arising from it would drive a final economic strategy change in 1990, examined in chapter 11.

But the combination of late-industrialisation restructuring, demographic labour-force pressures and globalising expansion meant that as the jobs of the future began to emerge through new-job development in often entirely new sectors, closures, under- and unemployment, obsolescent skills and socially and geographically concentrated long-term unemployment presented a growing challenge. Social partnership responded with social-compensatory strategies. Rather than passive amelioration, the unemployment crisis, which was accepted would last several years, was used to initiate innovative programmes in areas such as welfare expansion and institutional reform, local development, urban regeneration, community enterprise, educational access and training. A transformation of the Irish welfare state towards an enabling labour and enterprise-activating development model was thus already begun by 1988.

Part 4:

Consolidation, 1989-92

Chapter 10

Institutionalising Social Partnership, 1989-91

Haughey's commitment to partnership as a "permanent system"

During the first 18 months of the PNR, as analysed in Part 3, its principal stakeholders – Haughey's *Way Forward* circle and the CII/ICTU pro-partnership leaders – saw themselves as initiating a radical transformation. Programme delivery had been managed while minimising conflict through the CRC or direct political exchange. Major divisions had been avoided as system consolidation was prioritised. Less committed stakeholders - employers, farmers and some union leaders - had acted more in interest-defence than policy-innovation mode.

The second 18 months, from the formation of the Fianna Fáil/PD coalition in July 1989 to the signing in February 1991 of the successor *Programme for Economic and Social Progress* (PESP), is the subject of Part 4. It was a period of high drama and union mobilisation, involving no fewer than two ICTU annual conferences and three national "special delegate conferences". The political and institutional dynamics driving programme delivery remained similar to before, but a union revolt in 1990 threatening to end the system had first to be carefully managed through a programme "review", ultimately requiring significant adjustments to the PNR. This was followed by a conflict over the future of semi-state industries which had the potential to derail the agreement. How these crises were resolved, and their consequences, demonstrated that the priority of the principle stakeholders was to maintain and consolidate social partnership.

During the 1989 election, Fianna Fáil was heavily criticised for its "austerity policies", particularly in health. Labour and the PDs also made a "golden circle" of businessmen allegedly corruptly benefiting from public policy through close association with Haughey a central election issue. This began with Barry Desmond's assault on fraud in the beef industry, though this related mostly to events in the Goodman Group that had begun under the previous government.

The favouritism shown particular companies, including Goodman, was also notably a key NESC/PNR strategy, though now attacked as “crony capitalism”.¹

The Fianna Fáil manifesto committed to continuing the PNR and upholding the NESC/CRC system, adding new policies, such as on tackling long-term unemployment, from proposals that had emerged from the CRC. It advocated also following the PNR with a successor agreement and for the system to become “a permanent way of managing our affairs”. Labour proposed an alternative ill-defined “statutory” system of “consultative, flexible and de-centralised” planning, Fine Gael “a concerted development programme for 1992”, with “arrangements ... to involve the major political parties and social partners”. These would consist of a “Select Committee” of politicians joined by NESC partners in a “National Forum for 1992”, while pay would be negotiated separately “in accordance with existing procedures”. Decisions on policy would be solely a matter for government. Any of these opposition party proposals, if implemented, would have collapsed the social partnership system created in 1987.²

Fianna Fáil returned with 77 seats, down 4, Fine Gael 55, up 4, Labour 15, up 3, the Workers’ Party 9, up 6, and the PDs just 6, down 8. With this outcome, Fine Gael, whose pre-election coalition pact with the PDs lacked sufficient numbers, nevertheless declined to renew its “Tallaght Strategy” and Labour declared against coalition or supporting a minority government. The Dáil re-convened on 29 June and with the PDs fearing extinction in a re-run election, a FF-PD coalition, clearly the only option, was formed after two weeks’ negotiation, with Haughey again Taoiseach. Its Programme combined the two parties’ manifestos, with Haughey making a continuation of social partnership, regardless of the PDs’ declared hostility to it, his only non-negotiable condition. The first page of the PfG committed to “fully honour” the PNR, secure a successor agreement and “build social consensus into a permanent way of managing our affairs”. This was further evidence of Haughey’s overriding commitment to social partnership as a permanent institution framing socio-economic strategy and policy-making.³

¹ Ryle Dwyer 1992: 135-6; Desmond 2000; PD position, O’Malley, D. 2014: 178-80

² Fianna Fáil 1989b; Labour 1989; Fine Gael 1989

³ Programme for Government, PD 1989; PD choices, O’Malley, D. 2014: 181-4

But social partnership was far from achieving institutional equilibrium. The week the PfG was being negotiated, ICTU, meeting at its annual conference, was a house divided. With the prospect of a “right-wing” FF-PD government, anti-PNR unions exploited ICTU vulnerability to mobilise sentiment to end the PNR.

ICTU and programme delivery: the leveraging of discontent

Pro-partnership union leaders were as determined as Haughey to see through the PNR and establish partnership as a permanent system. Given the “right wing” majority in the Dáil and the weakness of the political Left, despite its electoral advances, they argued, the PNR was the only means to advance the tax, welfare, industrial and social policies and protection of state industries the movement sought. But they also proposed an underpinning of partnership through a radical restructuring of unions, with amalgamation into fewer larger organisations, a strengthened Congress as its “general staff”, biennial policy conferences in place of the usual annual conference set-pieces and re-basing union power on workers’ participation, at national level through the NESC and CRC, and in companies, forming a new unionism to replace “out-dated” confrontational representation.⁴

These reform proposals reflected the ICTU’s 1975 Schregle report and reforms proposed by political economists such as Hardiman as prerequisites for effective corporatism. Outside the arena of Congress, preparations for what ICTU called a “wave of amalgamations” were already well advanced, especially among pro-partnership unions. Conference nodded through the reform plan with little debate but, reflecting wariness at enhancing Congress’s powers, also adopted motions contrary to its spirit, defending the autonomy of trades councils, rejecting enhanced positive action to increase women’s under-representation in union structures, and deferring the proposed move to biennial conferences.⁵

But it was rancour over the PNR that most starkly divided opinion. The line-up was the traditional 2:1 divide over confrontation versus cooperation, free bargaining or “class collaboration”, with largely the same unions on either side. Specific issues, usually of a divisive political nature such as the wages stand-still

⁴ “right-wing majority”, ICTU 1989d and ICTU ADC 1989: 45; re-organisation plan, ICTU 1989e

⁵ Schregle 1975; Hardiman 1988; “wave of amalgamations”, ICTU AR 1991: 2; amalgamation plans, Devine 2009; Maguire 1998, 2010, 2017; motions, ICTU ADC 1989; ICTU 1987b

order of 1941 or the ITGWU changing sides on the 1976 NWA, had always the potential to reverse the 2:1 divide, changing the majority preference.

Having failed to prevent the PNR, in 1989 anti-agreement unions and the Left mobilised discontent over various issues to achieve a critical mass to overturn it. These ranged from PNR constraints on pay bargaining in strong sectors to its poor jobs performance and industrial relations and apprenticeship reforms. Several straight anti-PNR motions were easily defeated, but the British-based journalists' union, a rather privileged group, following a similar but failed "premature" attempt by it the previous year, proposed a tactically astute motion. With the PDs now in power, it argued, a "Special Conference" (SDC) within six months should be held to "consider withdrawal" from the PNR should its commitments not be honoured. This struck a chord with many delegates, being adopted by 139:125 against the pleas of ICTU leaders that such a move would represent a breach of trust and exclude unions from future political influence.⁶

Dáil opposition parties fanned the flames of union discontent, Spring and Rabbitte taunting Haughey that the vote on withdrawal demonstrated the "obvious failure" of the PNR and gave the lie to "this consensus ... he is talking about". Just as Haughey was negotiating a coalition programme, the Left in the Dáil not only sought to undermine social partnership – in any other country a left-wing cause – but also Congress's strategy and credibility with its members. But ignoring this betrayal by the political Left, ICTU congratulated Haughey on becoming Taoiseach and sought an urgent meeting with him to ensure the CRC was "retained and used to best advantage". A joint government-ICTU statement followed the meeting, re-affirming the PNR and its NESC/CRC governing system.⁷

But leveraging its internal dissenters, ICTU turned its conference defeat to advantage by using the looming special conference, scheduled for early 1990, to accelerate programme delivery. Whenever government took steps it opposed, such as assisting Ryanair at the expense of Aer Lingus without consulting it, it warned that it "will shortly be reviewing its participation in the Programme" and "these decisions and the manner in which Congress was treated" did "not auger

⁶ ICTU ADC 1989: 50-55; "premature", Dooley 2019: 168

⁷ Spring/Rabbitte in Dáil 10/07/89; Cassells to Taoiseach, 13/07/89, DTA: S25281-E; 'Joint Government-ICTU Statement', 25.07.89, GIS: D/Taoiseach,

well for a favourable outcome to that review". In the run-up to the SDC, it became ever more aggressive on the CRC, complaining of government failures on job creation and obstruction by Finance and other departments. One civil servant, bemoaning ICTU's truculence, noted how when the CRC Job Group's Report was being compiled, ICTU, "apart from suggesting an expanded role for State bodies", had disengaged and "played only a minimal part in framing the proposals".⁸

But Haughey's reputation depended on the PNR, and ministers accelerated its delivery to re-assure ICTU. In autumn 1989 Ahern finally launched the Health and Safety Authority, announced a schedule of labour law reform and assured ICTU of a union-friendly agenda under the Irish EC Presidency, an EC programme on long-term unemployment based on the CRC's proposals and Irish support for the EC "Social Charter". But Finance's opposition to many CRC proposals which, it said, "in the spirit of consensus" it had "refrained from indicating up to now", was nonetheless real. In an intervention perhaps reflecting a more bullish attitude at Finance under Albert Reynolds, its secretary, Seán Cromien, upbraided Ó hUiginn for not opposing CRC proposals, especially on expanding the SES, as a threat to budget discipline, to which "the response of the markets [would be] swift and severe". The key to jobs growth, he opined, was lower taxes which "in turn requires the greatest discipline in public expenditure".⁹

Congress took the offensive, telling Haughey that a PNR "mid-term review" and "Progress Report" were essential to head off opposition at their special conference. Haughey willingly conceded this, again stressing his desire also for a successor programme.¹⁰ ICTU used the promised "review" to leverage additional measures on unemployment, tax and social equity. Cassells told government

⁸ "shortly be reviewing", Cassells to Ó hUiginn, 21/09/89, DTA: S25857-W; 'Sub-Group on Job Creation. Draft Report to CRC. Sept, 1989', DTA: S25857; ICTU input, CRC, h/w notes of 19th mtg., 19/10/89, and "minimal part", D/Taoiseach, internal, O'Sullivan, E&S Pol Div., to Ó hUiginn, 'Re: Report of Sub-Group on Job Creation', 18/10/89, DTA: S25857-X

⁹ On Ahern's initiatives, 'Minister announces package of measures for employment creation and help to the disadvantaged', 27/09/89, GIS: D/Labour; W; 'Ahern launches Programme of Events of the Institute for Personnel Management', 29/09/89, GIS: D/Labour; Ahern, 'Speech at launch of National Authority for Occupational Safety and Health', 02/10/89, GIS: D/Labour; 'Long term unemployed to be priority for the Irish Presidency', 20/10/89, GIS: D/Labour; *INOUE Bulletin*, Nov 89; ICTU EC mtg. 20/12/89, item 1803; ICTU AR 1990: 66; Ahern, 'Speech at Seminar 'United States of Europe'', 22/09/89, GIS: D/Labour; "refrained from indicating", D/Taois., O'Sullivan to Ó hUiginn, 'Re: Report of Sub-Group on Job Creation', 18/10/89, DTA: S25857-X; Cromien to hUiginn, 28/11/89, DTA: S25857-Y

¹⁰ ICTU EC mtg. 15/11/89, item 1776. ICTU Archive, EC minutes; Haughey to Cassells, 01/11/89, DTA: S25862-D; D/Taoiseach, O'Sullivan to Secretary [Ó hUiginn], 08/11/89: 'Re: Meeting with Representatives of the Executive Council of ICTU on 8 Nov., 1989'; Haughey, Dáil, 24/10/89

officials that Congress “acknowledged the success of the Programme in meeting the targets agreed” but it was essential to be able to demonstrate that it was succeeding. He discouraged talk of a successor programme “at this stage”, saying the “review” must include new measures to ensure “soaring profits” were “translated” into jobs, profit-sharing and further tax reform. Government conceded there was scope to examine “what improvements could be made”.¹¹

Before meeting Haughey, ICTU issued a widely reported 30-point document, *Sharing the Benefits*, seeking new measures. “Tax reform and the reduction of poverty must be moved to the top of the agenda”, it said, and budget decisions would determine the outcome of its conference. Reflecting internal pressures on local pay, it criticised employer “inflexibility”. While not seeking a restoration of local bargaining, it suggested amending legislation on profit sharing so “workers could share in the ‘enormous profits’ being made by some companies”.¹²

Allaying fears that ICTU was losing its authority, Ó hUiginn advised Haughey that “what is in question is a review of progress, not a re-negotiation”, but government should concede “new actions or measures consistent with existing targets and commitments”. Haughey agreed and Finance conceded it was “of course a matter for Government to decide”. Finance was an equal opportunities enforcer, having also warned against projects proposed by other partners, such as CII’s international education proposal. Ó hUiginn reminded Haughey that “as positive as possible” a Progress Report would “be a key element in the ICTU conference on withdrawal” where leaders would “want to be able ... to demonstrate more progress on jobs and on the tax/wage relationship”. Haughey assured ICTU of his commitments on this, and agreed to press state companies to accelerate expansion plans, expand SES and training programmes, discuss his tax and other plans with ICTU before the budget, and not publish the “Progress Report” until just after the budget and before Congress’s SDC¹³

¹¹ ‘CRC. Report of Bilateral Meeting with Representatives of the ICTU on 8 Nov. 1989’, “for circulation official side only”, DTA: S25862-D; ‘ICTU raps failure to create jobs’, *Cork Examiner*, 09/11/89

¹² *Sharing*, ICTU 1989f; “workers could sgare”, II, 24/11/89; Also IT and *Daily Star*, 24/11/89, ICTU ‘A New Phase for the Programme for National Recovery’, Press Release 23/11/89, ICTU Archive, PN-1

¹³ Secretary [Ó hUiginn] to Taoiseach. ‘Subject: Meeting with ICTU’, 23/11/89, D/Finance ‘Note on Assessment and Costing of Various “Employment” Proposals Submitted to the CRC Sub-Group’, 21/12/89, (Internal) O’Sullivan to Secretary [Ó hUiginn], ‘Agenda Item 5: Report of the Working Group on Ireland as an Education Centre’, 20/12/89, DTA: S25857-Y; Connellan, CII, to Teahon, ‘CRC Job Creation Committee’, 15/01/90, and CII, ‘Proposal to Create Additional Third Level Places in Private Educational Institutions’, DTA: S25857-Z1; “reminded Haughey”, Secretary to Taoiseach. ‘Subject:

ICTU and CII proposals were now progressed, Ó hUiginn telling Cromien that government was “obliged to consider them”. Employer leader John Dunne, emboldened by Finance’s stance to initially also oppose the SES proposal, relented, agreeing to endorse it once “the private sector [was] not picking up the tab”. Government moved to resolve other issues. An inter-departmental committee proposed that employers be pressed to meet ICTU “concerns” on local pay “flexibilities” by expanding profit sharing schemes, that the budget amend regulations for such schemes “in the context of bridge-building between the PNR and a further Programme”, and that Government “facilitate” the introduction of the 39-hour week in the public service. The working hours agreement, which, as has been seen, had stalled in 1988, was now implemented, re-framed as a 39-hour week, with even the private sector also agreeing to proceed on it.¹⁴

In January 1990 a wave of initiatives followed in industrial policy, tax and welfare, profit sharing, education, unemployment, joint ventures by state companies, and construction and forestry contracts. The “black economy” monitoring group was put on a permanent basis, employers agreed to consult on “anomalies in private sector pay”, pension and health service reforms were initiated, and talks began on parent-teacher ratios, worker participation and the rights of disabled people. Haughey confirmed “Ireland’s full support [at the EC summit] to the adoption of the [Social] Charter”, conceded a CRC request for NDP monitoring committees to elect their own chairs in place of Finance appointees, and agreed with Delors a special scheme for Irish semi-states to provide technical assistance to emerging East European economies. The Commission on the Status of Women was announced, a “framework” for the Industrial Relations Bill published and the public service reduction programme ended, Haughey telling the Dáil it had been “a necessary reform which is now over”. The CRC received a stream of updates on government action on Congress’s “30 points”.¹⁵

Meeting with ICTU’, 23/11/89, and “Haughey assured”, Report of Meeting of Taoiseach and Ministers for Finance, I&C and Labour with Representatives of Executive Council of ICTU’, 24/11/89, DTA: S25857-Y

¹⁴ “obliged to consider” and “picking up the tab”, Ó hUiginn to Cromien, Sec D/Finance, 28/11/89, and h/w notes of ‘CRC on 16/11/89’, DTA: S25857-Y; “Government moved”, ‘Conclusions of Inter-Departmental Committee Meeting on 8 December 1989 in relation to Point 12 in ICTU’s 30 Point Plan’, DTA: S25857-Y; ICTU AR 1990: 51; ‘PNR. CRC. Progress Report. Preliminary Draft’, Nov. 1989, DTA: S25857-Y; h/w note Jim O’Brien, FIE, ‘Observations [on draft CRC Progress Report]’, n.d., DTA: S25862-F

¹⁵ Patricia O’Donovan, ICTU, ‘Responses from Government Departments to Proposals in the ICTU Document ‘Sharing the Benefits’, 05/01/90, ICTU Archive: PN-1; h/w notes of Inter-Departmental mtg. of

At ICTU's "confidential" pre-budget meetings with the Ministers for Finance and Social Welfare, Cassells told Dr. Michael Woods that ICTU demands "should be seen in the context of the forthcoming Special Delegate Conference to review continued participation in the Programme", with the budget "an input to that review". Woods assured him ICTU positions "were regarded as 'core' views" and that he would implement all Commission on Social Welfare recommendations he could. Just before the budget, ICTU again met the cabinet leaders, stressing "the link between the Budget and continuation of the Programme". Reynolds, expressing the government's desire to complete the PNR and agree a successor programme, said it was essential that "success not [be] thrown away".¹⁶

The extraordinary pace of government action in response to ICTU pressure just before its special conference shows the determination of both union leaders and the Haughey government for the PNR to succeed. After the budget, which satisfied Congress with further improvements in tax, welfare and other areas while remaining within monetary targets, a succinct PNR *Progress Report* was signed off by the CRC a day before the ICTU conference. Listing progress on all commitments, notably 40,000 new jobs created in PNR target industries in 1987-88 following years of contraction, it judged the PNR to be achieving and, on tax and job creation, "overachieving" its aims, and extolled the CRC as a "mechanism unique in the European Community" enabling "the social partners to have an on-going input into Government decision-making on economic and social policy". ICTU also published a separate, more critical review of its own, outlining the PNR's "Strategy" but also its "Shortcomings", and circulating both its own and the CRC reports to its conference's delegates.¹⁷

04/12/1989, DTA: S25857-Y; ICTU EC mtg. 17/01/90; Haughey to ICTU, 'Social Charter', n.d. (January 1990), in ICTU AR 1990: 66; on Delors initiative, Haughey, 'Statement', 04/12/89 [meeting with semi-state companies], in GIS: Dept/Taoiseach, and on SCSW, Dáil 07/11/89; Ahern, 'Industrial Relations: Framework for the future Industrial Relations Bill 1989 published', 07/12/89, GIS: D/Labour; D/Finance, 'Point 4 of ICTU document - Public Service' [Nov. 89], DTA: S25857-Y; Haughey in Dáil, 15/12/89; departmental responses to *Sharing the Benefits* in DTA: S25857-Y; 'Industrial Performance', ICTU AR: 59-61; D/I&C to O'Sullivan, 13/12/89, 'Review of industrial performance', DTA: S25857-Y

¹⁶ 'CRC. Summary Report of 22nd Meeting, 16 January 1990', DTA: S25857-Z1; 'Confidential. Meeting between Min/Social Welfare and ICTU, 18 January 1990', DTA: S25862-F; Cassells, 'Briefing Note for Meeting with Government - 23 January 1990', ICTU Archive: PN-1; 'Briefing Material for Meeting between Taoiseach and Ministers for Finance, I&C and Labour with representatives of the Exec. Council ICTU', 23/01/90, 'Position in Relation to ICTU 30 Point Plan' and 'Report of Meeting of Taoiseach and Ministers for Finance, I&C and Labour with representatives of ICTU, 23 January 1990', 23/01/90, and h/w report, 'ICTU-Government. meeting', 23/01/90, DTA: S25862-F

¹⁷ CRC, *PNR. Progress Report of the CRC*, Feb. 1990; ICTU 1990b; O'Sullivan, D/Taoiseach, to Kieron O'Carroll, Govt. Supplies Agency, 21/01/90, and h/w note, no title, n.d., circulation list, DTA: S25862-F

Who's "Left"? ICTU and its rebels

The union divide over partnership was reflected on the ICTU Executive in conflicts over how to approach the special ICTU conference of 8 February 1990. Pro-partnership leaders employed every means to save the agreement. To preempt an anti-PNR opposition "withdrawal" motion, the Executive's "General Purposes Committee" (GPC) proposed that the Executive present a motion of its own that ICTU remain in the PNR but under instruction to "ensure that commitments ... are fully implemented by the end of the year" and authorised to take appropriate action should this not succeed. The stark divisions within the ICTU Executive were reflected in a full seven of its 27 members absenting themselves from the meeting debating this proposal and in the bitter divisions among those present. Of the 20 who attended, just 11 – a majority of those present but a minority of the full Executive - backed the GPC proposal.¹⁸

Having barely secured this mandate to even put a motion to conference, a further crisis arose when it emerged that major anti-PNR unions were planning to attend the conference with delegations representing their full North/South memberships to definitely tip the balance against the PNR. Few southern unions apart from the ITGWU and INTO had northern memberships, and those were quite small, but eleven mostly British-based and craft unions, including the largest anti-PNR ones, had substantial northern memberships. While Congress rules did not preclude Northern delegates attending, the GPC argued, this would breach ICTU traditions of non-involvement in matters relating purely to one jurisdiction, and threaten to split the movement "at the border". Following heated debate on the Executive and attempted tactical amendments, a GPC motion that unions be "requested" to send delegations representing their Republic-based members only was passed by 13 to 4, again a majority, but, with many absentees and abstentions, a minority of the Executive. The GPC had argued that its position was in the interests of the "common good" of preserving the "national" unity of the movement, but it also threatened that "in the event of any Union not agreeing to this request" the Executive should consider postponing the SDC altogether. That a "majority", however tight, was secured for

¹⁸ ICTU Special EC mtg. 01/02/90, item 1830. ICTU Archive: EC minutes

this GPC proposition was due to several key Northern leaders who, while strongly opposing the PNR, shared the CPI perspective that prioritised all-Ireland trade union unity above all else. The GPC position was a high-stakes ultimatum that demonstrated the utter determination of SIPTU and the public service leaders to continue with social partnership.¹⁹

The day before the special conference, the Executive reconvened in what the press predicted was “set to be a stormy affair”. Cassells had contacted the eleven relevant unions with the Executive’s “request”, and most had complied, but four with large cross-border memberships refused as, alone among trades councils, did the “Trotskyist”-led Derry Council. A motion from Kieran Mulvey (ASTI) to now postpone the conference was put and lost, but a solution proposed by the GPC to bridge the divide succeeded. This suggested that the conference be opened by John Freeman, leader of the anti-agreement ATGWU but a former Congress President committed to all-island union unity, who, speaking for the Executive, would formally request Northern delegates attending not to vote.²⁰

Haughey added his weight to assist the besieged ICTU leaders. Describing the PNR as “a new and sophisticated form of economic management” as “found in many Continental countries”, driving progress towards “living standards and a quality of life enjoyed by most of our [EC] partners”, he said it was “difficult to understand ... why there would be any attempt to undermine it”, and made an impassioned plea for its continuation. The PNR’s “outstanding characteristic”, he said, was that “almost all of its objectives have been achieved, something not very common with national economic plans here or elsewhere”. The press editorialised in favour of the agreement and reported final concessions by government to teacher unions on parent/teacher ratios “in a bid to secure their fifteen votes”, and to the public service on a pilot childcare project. Even Dáil opposition leaders, who had encouraged ICTU’s dissenters before but now balked at the consequences, urged delegates to vote to continue with the PNR.²¹

¹⁹ ICTU Special EC mtg. 01/02/90, item 1831. ICTU Archive: EC minutes, and information from former Northern Ireland CPI-affiliated union leader

²⁰ “stormy affair”, II, 07/02/90; ICTU Special EC mtg. 07/02/90, item 1832. ICTU Archive: EC minutes. North/south delegations were MSF, printers (NGA), building trades (UCATT) and bakers (BFWAU)

²¹ “undermine it”, Haughey in Dáil 15/12/89; “outstanding characteristic”, Haughey in Dáil 07/02/90; “secure their vote”, II 07/02/90; childcare concession, EH 07/02/90; opposition leaders, Dáil, 07/02/90

At the conference, the PNR, the press reported, “withstood a massive onslaught”. Anti-PNR unions sensed a final chance to reverse partnership before it consolidated. The confrontation was raw and, unusually, while recording the proceedings, ICTU never published them. Speaker after speaker from small, craft, and British-based unions, as well as sectionalist ones like the IMETU and IDATU, denounced the PNR as a “sell-out”, advocating withdrawal and a resumption of “traditional” militancy. While expressed in left-wing rhetoric, their case was a very material one. “The only solution to low pay is more pay”, achieved by militancy rather than national agreements, argued one, while another called for “differentials”, “eroded” by central agreements, to be restored. Another complained that “while ... containing wage claims in the private sector”, with workers “nailed to the cross”, the PNR “provided far greater flexibility in the Public Service”: ICTU had been “captured” by the public sector, its character utterly changed. Industrial relations reforms would destroy the basis of the union movement, as would removing craft union control of apprentice training.²²

Pro-partnership leaders reiterated their essentially political case for the PNR, and the need for ICTU to honour agreements. Their own delegations were mandated to back the motion, though some, not least the then ITGWU, had supported the PNR in 1987 only by a slim majority. But leaders such as Attley, Flynn and Cassells were no less “left-wing” than the PNR’s opponents who sought to monopolise socialist virtue, and both sides argued their case as in the “working class interest”. The PNR, said Flynn, was “modifying the market by means of a trade union input to social and economic policy”. Attley attacked sectionalism and an “ideological block” against pursuing a “national consensus”. The PNR’s social gains and its benefits for the low-paid were indisputable, with the tax/pay formula delivering take-home increases of 8 per cent, which for many could never have been achieved through free bargaining. The ATGWU’s Mick O’Reilly would later bluntly sum up the “left” position: “Our view of consensus ... is that we should be striving for a consensus with the Left” against “the consensus of government and the New Right”.²³

²² “massive onslaught”, IT, 09/02/90; quotes from 40-pp. report, not circulated, ‘Special Delegate Conference. Programme for National Recovery, Liberty Hall, 8 February 1990’, ICTU Archive: PN-1

²³ ‘Special Delegate Conference ...’ 08/02/90; “our view of consensus”, ICTU ADC 1990

Freeman's appeal to Northern delegates attending not to vote was mostly heeded, crucially in the case of the large ATGWU and AUE, but the bakers and MSF refused. A *Socialist Worker* activist representing the anti-PNR Derry Trades Council urged all-out opposition to "the Tory government" (in Dublin!) by "the organised working-class" but was interrupted mid-sentence by one delegate asking sarcastically: "is the [northern] delegate speaking on the PNR?" The Executive motion to continue with the agreement on condition of full delivery by the end of the year was carried, mainly by SIPTU and the public service, but by a slim 56 per cent majority. If Northern ATGWU/AUE delegates had voted, and if the CP-led Belfast Council had attended, it would have been defeated.

In one way, however, the "special delegate conference" (SDC) strengthened Congress. Despite the deep divide over partnership, both wings were committed to maintaining unity and no union left Congress because of the vote. There was a widespread if unspoken view that the positions adopted by many amalgamated unions were the result of undemocratic procedures, John Tierney of MSF later admitting to Pádraig Yeates that many of his southern members were frustrated at the anti-agreement decisions imposed on them. The SDC mandate strengthened Congress's leverage within social partnership and the institution of special conferences itself was reinforced as a democratic instrument. Following the SDC, the Executive scheduled another such conference for September to decide on whether to enter talks on a further Programme and "the issues which should be covered in any such negotiations", and yet another for February 1991 to vote on the outcome of those negotiations. The system of SDCs and member balloting represented a democratic participation and ratification process which Cassells rightly described as "almost unique in Europe" among trade unions.²⁴

The February 1990 Special Delegate Conference was the high-point of the anti-partnership revolt, if far from the end of it. But it convinced pro-partnership leaders that if the programme was delivered the system of social partnership, with a government committed to its institutionalisation, could be consolidated.

²⁴ ICTU EC mtg. 21/02/90, ICTU Archive, EC minutes; Tierney to Yeates, interview, Yeates Papers; "almost unique", ICTU ADC 1990: 33-4

System consolidates: local pay, apprentices and industrial relations

The more pragmatic than ideological base for the wider support for the anti-PNR Left revealed by the ICTU special conference would need to be addressed if social partnership was to succeed. Some such issues were not, however, readily amenable to solution. Neither government nor employers were yet prepared to countenance local pay “flexibility” or profit-sharing, Finance warning that it had been the “proliferation” of “so-called productivity agreements” that had undermined the 1970s NWAs, and there was also “an understandable reluctance among employers to introduce ... profit-sharing schemes”. Government heeded Finance’s advice, but in its 1990 budget did soften the regulations on workers redeeming shares under such schemes. More importantly, it also decided to resolve public pay anomalies and implement the hours-of-work agreement to counter union discontent. Dates and rates for the deferred phases of special awards were now finally set, and implementation of the 39-hour week from mid-1990 was conceded across the public service, with the private sector following.²⁵

ICTU’s pay strategy was to consistently raise minimum rates and through the pay/tax formula achieve income increases sufficient to deflect demands from strong private sector groups for local “flexibility” without upsetting this formula. It also sought to divert local union negotiating power towards profit-sharing and the objectives of the “new trade unionism”. Cassells described this at ICTU’s main conference in July 1990 as local “flexibility ... not just in a narrow, old fashioned sense”, i.e. more pay, but rather participation in company decision-making to direct profits towards re-investment and job creation”. This “industrial democracy” approach fell on deaf ears, however, as private sector unions vehemently opposed it. Unions, as they saw it, were “losing credibility”, and was local pay flexibility not just the corollary of “special claims” in the public service? Companies, they claimed, should be divided between “profit-makers” and “loss-makers”, with workers in the former freed to extract greater wages. While motions seeking a return to a “free hand” in local bargaining, which would have

²⁵ On “flexibility” and profit sharing, D/Finance, ‘Treatment of Profit Sharing Schemes under the PNR’, encl. with N.T. O’Gorman, D/Finance, to O’Sullivan, D/Taoiseach, 21/11/89: ‘Re: ICTU meeting with Taoiseach’, 24/11/89, DTA: S25862-D; on budget reforms, public pay and hours of work, LGPSU, Dublin Health Services, *Branch Bulletin*, n.d. [May 90], ILHS-Archive: LGPSU Box 2; Dignam to Secretary [Ó hUiginn], 18/07/90, ‘Summary Report last Meeting - Hours of Work’, DTA: S25857-Z8

ended the PNR, were defeated, several seeking some level of local “flexibility” within national agreements passed decisively. This was a rejection of ICTU’s “new unionism” based on “worker participation”, but it was telling that the desire was for reform rather than abolition of partnership pay determination. Future ICTU pay strategy would have to take this on board, and did.²⁶

If ICTU’s rebels won this victory on pay strategy, though by reforming rather than overturning it, they lost in two other areas important to social partnership and new unionism, which won majority support among affiliated unions.

First was reform of the apprenticeship system from the old craft union-controlled model towards a Austro-German-inspired systematic state-certified qualification system. Ahern, with both ICTU and CII support and input, proposed a general opening of apprenticeships, certified qualifications instead of “time served”, the promoting of women in non-traditional skills, and social partnership rather than individual crafts exercising oversight. Apprenticeships had declined drastically in the 1980s and, after considerable internal rancour, the ICTU Executive decided by a small majority to support the reform. At the 1990 ICTU conference, craft unions made a last stand, desperately seeking to defend the indefensible. Following heated debate, conference decisively backed reform.²⁷

Second was Ahern’s industrial relations reform bill, the most radical change in industrial relations since 1906, designed to eliminate unofficial action and sectional disputes that closed industries, while strengthening central union authority. The reform had been delayed in 1988-89 by government’s minority position, but Ahern now progressed it, accepting many amendments suggested by ICTU. While quibbling over minor points, Congress welcomed it as a major pro-union modernisation providing the basis for stable industrial relations “well into the next century” with “none of the extreme characteristics of its British counterpart”. The proposed conciliation system would prevent disputes escalating to all-out conflict, ICTU’s role in approving all-out-pickets was given a statutory basis, and its stipulation of secret ballots for all industrial action accorded with good union practice anyway. Anti-PNR unions attacked the

²⁶ “new trade unionism”, ICTU 1990g; Cassells and critics, ICTU ADC 1990: 45-57

²⁷ apprenticeship plan, FÁS 1990; Executive debate, ICTU EC mtg. 20/06/90; conference debate, ICTU ADC 1990: 115-8

undercutting of sectional power, the curtailing of picketing and requirements for secret ballots, and Workers Party TDs encouraged opposition by stoking fears of wide-scale court intrusion into disputes, but as with apprenticeship reform, they were defending the indefensible and were again decisively defeated. Claims by sectional unions that the bill would “emasculate the collective power of this movement” by constraining sympathetic action, with workers saying “we may as well not be in unions”, fell on deaf ears. It was certainly true that as with the apprenticeship bill, the reform would destroy much of the armoury of sectional unionism, but it enhanced the position of the general workforce and, apart from not conceding statutory trade union recognition, met most ICTU demands.²⁸

The disruptive power of anti-PNR unions was weakened further by the Executive deciding to restrict voting on future agreements to the representatives of memberships directly effected, North or South, though amended on Northern insistence to refer only to matters of pay and conditions. Voting rights of trade councils on pay agreements were also curtailed on the basis of preventing double-voting. The growing hegemony of pro-partnership leaders was reflected in the failure of anti-PNR figures such as John Tierney of MSF and Seán Redmond of the IMETU, both seasoned left leaders, to be elected to the Executive.²⁹

Following the ICTU’s February 1990 special conference, the CRC resumed its role as the administrative driver of social partnership, with the “Secretariat Group” re-formed and the CRC meticulously tracking implementation of commitments by departments. Pursuing its new mandate, ICTU sought a meeting with Haughey “to ensure that commitments arising from the recent review of the Programme ... are implemented between now and the end of 1990”. Ó hUiginn’s staff relentlessly pressured departments for time-scales on various initiatives as sought by ICTU, and Haughey reiterated his intent to deliver on commitments. The CRC also resumed its problem-solving role in often fraught conflicts, such as on pensions reform. ICTU sought statutory provision for member trustees, which the FIE (as FUE had been renamed) vigorously opposed, but again, acting as

²⁸ ICTU welcome IR Bill, ICTU AR 1990 45-6, ICTU 1990g and ADC 1990 106-8; “claims by sectional unions”, ICTU ADC 1991: 33; “stoking fears”, Rabbitte and Gilmore 1990; benefits, ICTU EC mtg. 18/09/90, item 1955; also Gunnigle et al. 1999: 62-71

²⁹ agreement on northern votes, ICTU Special EC mtg. 09/04/90, item 1832; trades councils, ICTU ADC 1990: 33-8; Tierney and Redmond, ICTU ADC 1990 appendix, ‘Election of the Executive Council’

arbiter for the state, Ó hUiginn intervened, in this case on ICTU's side, urging the Pensions Board to concede member trustees "on a voluntary basis" until a review in three years assessed the need for statutory provision. FIE relented.³⁰

By autumn 1990, ICTU had consolidated its agenda internally against the dissident opposition, and through the CRC was ensuring programme delivery. The only substantial issue on which it would have to seek a reconfiguring of partnership agreements was some mechanism to meet private sector local pay flexibility, the one issue still generating significant support for anti-PNR motions.

Strategic shift: the Haughey/ICTU deal on the "semi-states"

Apart from local pay, the state companies were also an issue of potential conflict between government and the unions. With ICTU the state sector's main champion, the PNR, following much contraction under the FitzGerald coalition, had agreed expansion through joint ventures, new subsidiaries, international consultancies and private capital input, and in 1987-9 many such new projects had been initiated, with Haughey urging companies on in their ambitions. Existing boards were incorporated on the Telecom model and new companies and state bodies created, including Coillte, Teagasc and FÁS, with others planned for sectors such as the marine. "My Government", Haughey assured the ITGWU, "believe in the value of a sound, viable State sector ... to create employment, contribute to the national economy and provide an effective and efficient service ... Our approach is pragmatic, not ideological". It was a message he reiterated throughout 1989. The new coalition, on Haughey's insistence and despite the PDs' privatising zeal, committed to support a "viable and profitable commercial semi-State sector" with any changes to "ownership structures" subject to prior "consultation with the social partners".³¹

³⁰ On CRC dynamic and Haughey commitment, O'Sullivan to Secretary, 'Subject: Meeting with Mr P Cassells and Ms P O'Donovan, ICTU, on 2 March 1990', 01/03/90, and 'Report of Meeting with ICTU on 2 March 1990', 02/03/90, DTA: S25857-Z4; On pension reform dispute, O'Sullivan to Secretary [Ó hUiginn], 'Subject: Agenda Item 9 – Pensions Bill – Appointment of member trustees', 25/04/90 and D/Social Welfare, 'Pensions Bill 1990. Issue of Providing members with statutory rights in relation to the appointment of trustees', 20/04/90, DTA: S25857-Z4; 'CRC. Summary Report of 25th Meeting, 26 April 1990', and h/w notes 25th CRC mtg., 26/04/90, DTA: S25857-Z4; 'CRC. Summary Report of 26th Meeting 24 May 1990', DTA: S25857-Z6

³¹ Haughey, 'Speech at a dinner to mark winding up of the ITGWU', 29/12/89, GIS: D/Taoiseach; repeats message, Dáil 12/12/89; coalition commitment, PFG 1989

With sweeping de-nationalisation in Britain and the fall of socialism in Eastern Europe, leading economists began agitating for wholesale privatisation. Fine Gael harried Haughey for hesitating on privatisation while UCD Professor Frank Convery declared it the new “international trend, ... an idea whose time has come”. The Irish economy at independence had been “dominated by a relatively small, mainly Protestant, business oligarchy”, and state companies had broken this, “creating a business class among the Catholic community”. Government should unleash this potential through privatisation. Haughey was not averse to this view, having told his 1989 party *Árd Fheis* of the need to liberate “professional skills locked up uselessly in out-dated structures”. Even left-wing economists noted how the state sector was “spawning entrepreneurs”, with former state managers emerging as global business leaders. Convery proposed also incentivising workers to support privatisation through employee shares.³²

Finance’s 1990 budget planning proposed raising “at least” £50m towards reducing the national debt by a sale of “state assets”. The PDs had championed this, O’Malley’s “catchword” being to “roll back the state”, but Haughey had ensured this did not feature in the Programme for Government. Senior civil servants, however, supported the idea, with the proposal to cabinet – in part to meet PNR pay and tax commitments – the initiative of Seán Cromien, secretary of Finance. Concerned that an ICTU initiative at CRC level on the state sector might “jeopardise” the plan, he reminded Ó hUiginn how they had both been present at meetings at which Haughey himself “on several occasions” had “spoken in favour of asset disposal for the benefit of the Exchequer, mentioning State companies, and pressed that the matter be pursued expeditiously”. In fact what Haughey referred to were unused properties such as CIÉ’s Temple Bar site, for which he created a public/private joint venture to develop as a “cultural quarter”.³³

Public opinion was acclimatised to a privatisation offensive by statements from ministers favouring state companies being included in “assets” to be sold. This followed immediately on the narrow victory of ICTU leaders’ at its special conference. SIPTU denounced the “speculation” as “entirely at odds with ... the

³² “wholesale”, Convery and McDowell 1990; Fine Gael “harried”, *Dáil* 12/12/89; Convery in *Sunday Independent* 18/03/89; “outdated structures”, Haughey 1989; “economists”, Sweeney, P., 2004: 20-7;

³³ Seán P. Cromien, Sec, D/Finance, to Ó hUiginn, D/Taoiseach, 29/02/90, DTA: S25862-F; PD position, O’Malley, D. 2014: 168; “unused properties”, ‘State Papers’, *Irish Times* 29/12/2017

PNR". Reynolds exacerbated growing distrust by stating that the "restructuring" of Irish Life - the only such commitment in the PfG - would see the state retain only a minority 34 per cent holding as a "golden share" to protect the "public interest". Talks were also announced with foreign investors on Irish Steel, to ensure its "future and the maintenance of its employment". Within government, and in tune with Convery's urgings, privatisation proposals often came from state companies themselves, including GSH, who argued that resources to save and expand it could not be generated internally. Irish Sugar executives were part of a committee that proposed floating half that company and Aer Lingus leaders proposed that its structure be changed to "facilitate future disposal".³⁴

Finance warned Haughey that "whatever about the past", state companies "must operate and plan for the future on strictly commercial lines" and this should not be diluted by commitments on employment to ICTU. The final budget plan, Cromien told Ó hUiginn, "assumes that £62.5 million will accrue ... from the sale of equity in State companies", specifically GSH, Irish Sugar and the TSB and ICC banks. Cabinet agreed that these "be disposed of in such a manner and on such a scale" as necessary to achieve this. He believed ICTU were planning to get the CRC to seek a White Paper on semi-states, which would "put the entire 1990 Budget strategy at risk". Ó hUiginn must prevent CRC proposals that "jeopardise Government's ability to raise the sums referred to ... or delay the process".³⁵

Congress demanded that the state retain its majority holding in Irish Life and demanded to meet Haughey on the whole issue of "the future for State companies". Decisions should be suspended pending that, or it would be "very difficult if not impossible to commence negotiations of a further Programme". The ICTU Executive published a policy position, *Public Enterprise and Economic Development*, which, while welcoming expansion through joint public/private ventures and claiming that semi-states could drive a large-scale indigenous sector expansion given the failings of private enterprise, demanded that the state

³⁴ Ed Browne, SIPTU, to Taoiseach, 21/02/90, DTA: S25862-F; 'Govt. Statement' [no title, re Irish Steel], 09/03/90, GIS: D/Taoiseach; D/Labour, 'Briefing Material on Great Southern Hotel (GSH) Group', n.d. (fax 26/03/90); D/Finance, 'Possibility of Sale of certain State bodies: present position', n.d. [26/03/90], DTA: S25862-F

³⁵ "Finance warned Haughey", D/Finance, 'State Companies and Job Creation. Background Note', encl. with N.T. O'Gorman, D/Finance, to O'Sullivan, D/Taoiseach, 21/11/89, 'Re: ICTU meeting with Taoiseach', 24/11/89, DTA: S25862-D; "final budget plan", Cromien to Ó hUiginn, 29/02/90, DTA: S25862-F

retain majority shareholdings, and equity sales be exclusively for re-investment. It proposed the White Paper Cromien had warned of and insisted on an end to “secret talks” with “bankers, stockbrokers and consultants”. It had the support of the CII which, while favouring commercialisation, had many state companies in membership and championed them against perceived state discrimination, as in the case of Aer Lingus/Ryanair. This had led the IFA to accuse CII of being a “prisoner of the state sector” and even of refusing Ryanair CII membership.³⁶

Cromien urged Haughey to be devious. While being open with ICTU about plans for Irish Sugar and other bodies to which the unions were already privy, “they should not know of the possibility in relation to ICC and TSB”. Also, the state had to retain a free hand to reduce the national debt through asset sales. Consultation with unions must not mean giving them “a virtual veto power”, nor should he commit to retain worker directors in “restructured” companies, as the “the state cannot bind other ... owners”. Partial privatisation would boost employment anyway, and was “a policy now being followed not only in the so-called capitalist countries but in socialist and communist states as well”. Cromien’s memo was supported by extensive documentation from departments arguing for privatisation of “assets” within their remit and discounting ICTU’s arguments. The central aim of meeting Congress must be to use nuances in their position to “advance the degree of acceptance of the principle of privatisation shown in the ICTU document”. Congress was facing a formidable onslaught.³⁷

As ever, Ó hUiginn was optimistic. On equity sales to reduce the national debt, he recommended reformulating this as sales “contributing to the growth and development of the economy”. In general Haughey might commit to the state retaining majority shareholdings, but suggest full sales where necessary to save enterprises which would otherwise have to close, such as Irish Steel, and in “strategic” cases retaining a “golden” share “to protect the public interest against undesirable ownership”. The overriding goal for Ó hUiginn was a strategy agreed

³⁶ “Congress demanded”, Cassells to Taoiseach, 14/03/1990, and Taoiseach to Cassells ICTU, 16/03/90, DTA: S25862-F; *Public Enterprise*, ICTU 1990d; seeks White Paper, CRC ‘Sub-Group on Job Creation’, h/w notes, n.d. [mtg. 28/06/89], DTA: S26122-A; position, Power, CII, to Ó hUiginn, and to Ahern, ‘Re: PRSI Exemption’, 13/10/89, DTA: S25857-X; refuses Ryanair, h/w notes of 18th CRC mtg 21/09/89, DTA: S25857-W

³⁷ Cromien memo and documentation, ‘Steering Note’, attch’d with Robert Carey, [pvte] Secretary [to M/Finance], to O’Sullivan, D/Taoiseach, 26/03/90, and “advance acceptance”, R.J. Curran, D/Finance, to Ó hUiginn, D/Taoiseach, 27/03/90, DTA: S25862-F

with ICTU, which he was convinced was attainable: "It would be possible, in the light of their submission, to reach agreement ... on principles which would apply to the sale of some or all of the State's holding in State companies".³⁸

The meeting on 27 March 1990 – one of the most extraordinary of the PNR era - was attended by a formidable array of Ministers, officials and union leaders. Even John Carroll attended, the austere SIPTU President who had not officially met government since 1987, when he had been instrumental in engineering the PNR with Haughey. ICTU reiterated its core "principles" on state industry, warning of the "credibility problem" it faced with members complaining that unilateral state action proved "there was no value in the consensus approach". Haughey repeated his concern for a successful state sector, disregarding much of what Cromien had advised. He had no intention of interfering with Aer Lingus ("a star performer") or any successful company. B&I and Irish Steel were special cases, failed private ventures nationalised for strategic reasons, but should not necessarily remain so. Irish Sugar's function was changing due to new CAP and Single Market rules and would require a new structure and purpose. He gave "a solemn assurance" that the Irish Life decision, necessitated by legal constraints in operating abroad, was neither a "precedent" nor "a model for restructuring other State companies", and agreed that some companies had potential to become "large scale indigenous companies", but monetary strategy dictated this could only occur through private capital involvement. Selling equity to reduce the national debt was not a government "aim", though "loss makers" should be considered. Carroll intervened forcefully in Haughey's support, insisting only that "essential services" and "strategic" companies remain in state ownership. Haughey promised full consultation and, to the undoubted horror of Finance, met ICTU's White Paper demand half-way by proposing that CRC draft common "principles" for policy towards the sector. ICTU was greatly relieved, declaring the "Taoiseach's pragmatic stance" "comforting", accepting that Irish Steel and

³⁸ Secretary [Ó hUiginn] to Taoiseach, 'ICTU Meeting on Private Involvement in State Companies', 26/03/90, DTA: S25862-F

Verolme could be sold off to survive, and welcoming Haughey's proposal that the CRC draft a set of principles for future state policy on the sector.³⁹

Finance was outraged at Haughey's concessions. Nevertheless, following the meeting, Congress publicly endorsed the principle of selling equity - apart from "strategic services" - where this was necessary to maintain employment, enable expansion or ensure future viability, and in private, as Ó hUiginn reported, agreed to restructurings commencing "even while the [CRC] Working Party is sitting", which would "enable sales to go ahead". Cassells' only condition was that the CRC "principles" be finalised and agreed "well in advance of negotiations on a further programme". The Haughey-ICTU "deal" epitomised social partnership as understood by both Haughey and union leaders, and Carroll's intervention was key to facilitating the compromise. ICTU's concessions on private investment and equity sales were reciprocated by Haughey's commitment to retain majority shareholdings in successful companies and to the CRC setting future policy principles. In the Dáil, Labour and ex-Workers' Party leaders suspected a secret deal had been reached to facilitate "privatisation", while Fine Gael worried that a compromise had been agreed preventing it. In a sense, they were both right.⁴⁰

The CRC "working party" convened immediately, collating restructuring plans from companies and drafting "principles" for policy on the sector. Individual unions continued to be involved in restructuring at Bord na Móna and GSH, and buyers were found for the distressed Verolme Dockyard, enabling production to resume and leveraging IDA supports.⁴¹ There was often conflict, as at Bord na Móna over developing or selling off cut-away bogs, or at Irish Sugar over alternative employment for workers in plants earmarked for closure. Plans by An Post led to conflict and even strike action, and in June, just before its annual

³⁹ 'Report of Meeting of Taoiseach and Ministers for Finance, I&C and Labour with representatives of ICTU, 27 March 1990', and h/w notes of the meeting, DTA: S25862-F

⁴⁰ 'Joint Government/ICTU Statement', 27/03/90, GIS: D/Taoiseach; Cromien, Sec D/Finance, to O'Sullivan, D/Taoiseach, 04/04/90; Ó hUiginn 'Note' [to Taoiseach], 30/04/90; 'CRC meeting 26/04/90'; O'Sullivan [to Ó hUiginn], h/w note of tel. conversation with Cassells, 27/03, and note Cassells, 'For attn.Pat O'Sullivan: Issues for inclusion in Statement following meeting this afternoon', 27/03/90, DTA: S25862-F; opposition reaction, Dáil 01/05/90

⁴¹ 'Working Group on State Companies', in CRC, 'Summary Report of 26th Meeting, 24 May 1990', DTA: S25857-Z6; ICTU AR 1990: 70; D/Labour, 'Briefing Material on Great Southern Hotel (GSH) Group', n.d. (fax 26/03/90), DTA: S25862-F; Dáil 08/02/90; Reynolds, 'Address by the M/Finance to announce sale of Verolme Dockyard to Damen Shipyards of Holland', 29/06/90, GIS: D/Finance

conference, ICTU even withdrew “temporarily” from the CRC Working Party in protest at the Broadcasting Bill establishing commercial competition to RTE.⁴²

Anti-PNR unions mobilised against the Executive’s new position, but partnership leaders robustly defended it, Attley stating that he had “absolutely no doubt” about government’s “hidden privatisation agenda”, but in Britain obdurate union opposition had failed, and state industry was being dismantled wholesale across eastern and even western Europe. “Do we want to go down the same road?” Irish state companies had been haemorrhaging employment since 1980 and “if we don’t do something they will simply wither away”. To ensure semi-states survived as “a vehicle for development and job creation” required embracing outside investment, and if unions opposed this, “we will simply lose the debate”. The conference endorsed the new policy by a narrow majority.⁴³

Haughey for his part held government to the “understanding” he had reached with Congress, and privatisation as envisaged by Finance was halted. Government, he told his party’s Árd Fheis, was not “engaged in any programme of systematic privatisation”. While there “may” be equity sales to reduce the “crippling national debt”, such decisions would only be reached if of “overall benefit to the national economy”, the formulation Ó hUiginn had proposed.⁴⁴

The CRC finalised its proposed “principles” on state companies in September, recommending continued expansion through subsidiaries, private equity and export ventures, and allowing distressed companies be sold to secure their viability. The key criterion was business success and, tellingly, no “majority” condition on retained state holdings was sought. The restructuring of Irish Sugar as a privatised international food company, later Greencore plc, proceeded, but with the state retaining 45 per cent. To Congress’s satisfaction, Great Southern Hotels was sold, not to private bidders but to Aer Rianta, another state company, and ICTU agreed a plan with Finance for B&I to be sold to Irish Ferries, a former subsidiary of Irish Shipping. A “viability plan” for Irish Steel retained it in public

⁴² ICTU AR 1990: 70; ICTU ADC 1990: 91-3; Ray Burke, ‘Address to Annual Conference of CWU’, Cork, 18/05/90, and ‘Minister urges Communication Workers to face challenges of competition and change’, 18/05/90, GIS: D/Justice and Comm.; ‘Working Group on State Companies’, in CRC, ‘Summary Report of 27th Meeting, 21 June 1990’, DTA: S25857-Z7

⁴³ ICTU ADC 1990: 91-103

⁴⁴ Haughey, ‘Taoiseach’s address to Fianna Fáil Ard Fheis’, 07/04/90, DTA: S25858-Z3

ownership, and plans to sell off CIÉ Tours were abandoned. The only closures were of defunct entities such as the Joint Hospitals Services Board.⁴⁵

When the Irish Sugar plan was announced, *The Irish Times*, no doubt to the satisfaction of both Haughey and ICTU, editorialised that it was “now well placed to become one of the leaders in the food sector”. “With the State as the most significant shareholder but with stock market participation and scrutiny, a model of public and private partnership may perhaps develop which offers a healthier basis for promoting national champions” than the “alliance between the state and a very private company” had proven in the “problematic” Goodman case.⁴⁶

Reynolds, considered a particularly strong advocate of private enterprise, defended state companies, urging US investors not to shun but engage in joint ventures with them. Selling state companies would only occur where “warranted” as government saw “the State sector continuing as an important influence on the Irish economy”. While Haughey had pioneered semi-state commercialisation, and insisted on commercial criteria, his reputation as a disciple of privatisation has no basis. He agreed to the “principles” produced by the CRC, which were incorporated verbatim into the follow-on agreement, the PESP, and would govern state policy on the sector for the next decade.⁴⁷

The restructuring of Irish Sugar involved undoubted insider trading by senior executives, leading to a major scandal in which Haughey forced them to resign. Related though unfounded accusations were made in the case of UCD’s purchase of Carysfort College and the purchase by Telecom of new headquarters. Haughey was not involved in these transactions, and publicly forced those implicated to resign, but a hostile media continued to insinuate his central role in a corrupt “golden circle” enriching itself at the public’s expense. Spring, in an outburst of moral outrage, spoke of an “evil spirit that controls one political party”, a “cancer ... eating away at our body politic” threatening “to corrupt the entire political system”. The “virus which has caused that cancer” was the Taoiseach, Charles J. Haughey. In reality, these various “affairs” were arguably inevitable consequences of state-sector commercialisation and the business relationships it

⁴⁵ ‘Public Enterprise – Progress Report’: ICTU EC mtg. 19/09/90, item 1986; ICTU AR 1991: 53-5

⁴⁶ IT 26/10/90

⁴⁷ Reynolds, ‘Address to the Sheridan Circle’, Washington, 25/09/90, GIS: D/Finance; reputation, Sweeney 2004; “Principles” in ICTU AR 1991: 53-4 and PESP, Section V (89-90), 1991

created, a policy endorsed by all Dáil parties. While Haughey was certainly acquainted with many of those involved, not only have figures such as Michael Smurfit continually denied unethical behaviour and never been prosecuted, but no direct involvement by Haughey has ever been established.⁴⁸

Even if overshadowed by this political theatre, ICTU's agreement with Haughey on the semi-states was a major achievement, guaranteeing for a decade a strong role in economic development for an expanding state sector. ICTU had few illusions about state companies, and in its planning for a post-PNR agreement distinguished internally between the "good ones" and the "disasters", focusing its expansion plans on the former. It combined this realism with a strategy of deepening worker participation at board and sub-board level, a great expansion of which it achieved under PNR/PESP, and established sectoral networks of worker directors and business management training for them. Another new strategy first floated by Cassells to resolve problems at TEAM Aer Lingus saw ICTU trade cooperation in restructuring for employee shareholdings, a strategy that would expand in the following years.⁴⁹

Planning the transition: towards a new Agreement

The major dramas and crises of social partnership during 1990 occurred in the Government-ICTU relationship because, by and large, the other stakeholders had come to terms with the new system, having secured their interests within it.

For employers, fears of union indiscipline on pay had proven unfounded and the economic take-off and growing profitability had obviated their previous obsessive determination to prevent minimum PNR pay rates becoming an established "norm" across industry. PNR rates were now widely conceded. The tax/pay formula had delivered take-home pay increases of over 7 per cent, of which over half was contributed by the state through tax reform. The PNR pay system, Turlough O'Sullivan of FIE recalled, had proven to be a "no brainer". The business lobby, CII, enthusiastically engaged in the economic planning afforded

⁴⁸ "scandals", Ryle-Dwyer 1992: 152-60; Spring in Ryle-Dyer 1992: 149-50

⁴⁹ "good ones/disasters", ICTU, h/w notes, "Pay Negotiations", Oct. 1990, ICTU Archive: PN-1; "participation", ICTU, 'Specific areas for discussion with Government on a PESD', 18/10/90, ICTU Archive: PN-2; 'PESD, Working Group on Semi States 1990', ICTU Archive: PESP-PWG [Folder 4050-8]; ICTU AR 1991: 53; Cassells in 'Conference on profit/gain sharing', *IRN Report*, 15/11/90; Sweeney 2004

by partnership, influencing Irish EEC and FDI strategy and co-shaping the programmes of the NDP through large social and infrastructural programmes, private sector participation in structural fund-financed projects and the opening to pursue radical regulatory liberalisation under the Single Market. Liam Connellan, warning of international pressures on the economy and with Britain, “our largest trading partner”, in “near recession” as Sterling “plummeted”, praised “the consensus” of the PNR for creating “a climate of confidence and stability”, its impact “more pronounced each year”.⁵⁰

Farming bodies for their part depended on government to minimise CAP reform at EC level and tax reform at home, and made their peace with partnership as the framework for pursuing policy goals. With their scope for manoeuvre thus limited, Haughey gave some of their demands short shrift. When they complained of “inequities” for farmers in proposed inheritance tax reforms, he suggested they “submit details of cases to illustrate their points”, and when they warned that applying property tax to farms “would raise the question of IFA’s continued participation in the PNR”, he directed them to the Expert Committee on local taxes. When they sought the extension of the business expansion scheme to farms, he retorted that “IFA might consider such farm enterprises establishing as companies, thus qualifying in principle for the Scheme”, as mushroom farms had done. The IFA had little option but to stay and fight its corner within partnership.⁵¹

The high-point of the Haughey government was its widely praised Presidency of the then 12-member EC in January-June 1990. Haughey used it to promote the Irish partnership model, which he described to EC leaders as “a socio-economic policy consensus, unique, I think, in Europe”, showcase Ireland as a serious and successful state, and pursue the NESC strategy of close alignment with the Franco-German EMU project and social model to maximise regional investment distribution under the Delors Plan. His role was epitomised in his leadership on

⁵⁰ PNR rates generally conceded, ICTU 1990g ; “no brainer”, Interview Turlough O’Sullivan; CII “worked the planning system”, Connellan, CII, to Teahon, ‘CRC Job Creation Committee’, 15/01/90, and CII, ‘Proposal to Create Additional Third Level Places in Private Educational Institutions’, DTA: S25857-Z1; Connellan “warning”, CII, ‘Address by Liam Connellan, Director General, CII, at Bray Chamber of Commerce’, 23/04/90, Power Papers, Sligo IT Archive

⁵¹ ‘Report of Meeting of Taoiseach and Ministers/F, A&F and Env. with Deputation from IFA’ 04/10/89, DTA: S25899-B [folder: ‘EEC Aspect’]

German unification, which reaped rich dividends for Ireland. A British TUC leader, addressing the ICTU, marvelled at the influence Irish unions had achieved in national policy and praised Ireland's EC Presidency which, "spurred on by this Congress", had adopted a progressive social policy agenda. Referring to Ahern, she said, "I don't think you really appreciate how refreshing it was to be able to talk with a person in power with such an awareness of the interdependence between economic success and social progress".⁵²

Despite ICTU's internal conflicts, Haughey and his circle repeatedly declared their desire to achieve a successor agreement and institutionalise social partnership: "we need only look to ... Germany with its long tradition of consensus to see the value of harnessing all interests ... for the common good", he told the ITGWU. While addressing new issues, any new deal should continue the "principles" of the PNR. Social partnership, he told his Árd Fheis, was "a national pearl of great price" which "we must hold onto". Ahern, warning that as a "small open economy ... we cannot afford any domestically generated policy mistakes", and, using ICTU's proposed title, advocated a new "programme for economic and social development" (PESD) continuing the "basic principles" of the PNR.⁵³

In preparing for the September 1990 special conference (SDC) to decide on whether to enter talks on a successor agreement, ICTU leaders exploited government eagerness for a positive outcome to have outstanding issues under the PNR resolved and had the CRC issue another Progress Report on the "achievements of the PNR". At the ICTU Executive they secured a decision that only delegates representing memberships in the Republic could attend and vote. ICTU identified its priorities as further tax reform, the expansion and reform of public services, a range of equality policies, a "major assault on long-term unemployment" and, critically, some limited local pay bargaining. Government assisted them by meeting demands on "unresolved issues", making last-minute concessions on teacher recruitment and reforms benefiting part-time workers.

⁵² "promotes partnership", Haughey, 'Address to the European Round Table at Dromoland Castle', 13/05/90, GIS: D/Taoiseach; "rich dividends", Eamon Delaney, 'German support for Irish on Brexit is payback time to British', *Irish Central*, 08/04/19; TUC leader, ICTU ADC 1990: 87-8

⁵³ Haughey on successor programme, Dáil, 15/12/89; speech to ITGWU, Haughey, 'Speech at dinner to mark winding up of the ITGWU, 29/12/89, GIS: D/Taois ; to Árd Fheis, Haughey, 'Taoiseach's address to Fianna Fáil Árd Fheis', 07/04/90, DTA: S25858-Z3; Ahern, 'Speech to annual conference of CPSU, Tralee', 19/05/90 and 'Speech at annual conference of MSF Union', 10/03/90, GIS: D/Labour

The SDC gave ICTU a strong 70 per cent mandate (218/114) to enter talks. A further SDC in February 1991 would decide on the proposals that emerged.⁵⁴

With this mandate and a government keen for a new programme, Congress drafted an ambitious agenda, stipulated the joint policy “working groups” with government which should be formed and the structures of a new “PESD”, and sought a meeting with Haughey. The day before this meeting, it published its plan, *Ireland 1990-2000: A Decade of Development, Reform and Growth*. This accepted a continuation of the monetary and macro-economic framework of the PNR, but focused also on “underdeveloped” “social rights” and institutional weaknesses: “we have a big State but a weak State”. It advocated a 10-year framework with successive 3-year agreements under it. The aim should be to achieve EC standards of living, a “total restructuring of our social services” and “a modern efficient social market economy ... similar to Germany”, at that time the model European social democracy, to which Haughey too aspired.⁵⁵

Completing the blueprint: NESC and the 10-year “PESP”

Negotiations and policy formation for the new agreement progressed similarly to 1987 through joint policy groups and bilateral government/partner meetings. As in 1987 ICTU initiated and determined much of the structure. But it was also different, in stakeholder input being far more organised and concerted, party political opposition mooted or blunted, and employers, business and farmers far more willing to engage. Government proposals to continue the “principles” of the PNR and its macro-economic/industrial/social policy structure, though with some new socio-economic aims, was widely accepted. ICTU established a 17-member “negotiating team” which, unlike 1987, and as leverage towards securing a local pay clause, included representatives of anti-

⁵⁴ ICTU EC mtg. 12/09/90, item 1955. ICTU Archive: EC minutes. ‘CRC. Summary Report of 28th Meeting 19/07/90’, h/w notes of CRC mtg. 19/07/90, and O’Donovan ICTU to Dignam D/Taoiseach, 13/07/90, and Dignam to Secretary [Ó hUiginn], 18/07/90, re ‘Item 3 – Unresolved issues under the Programme’, DTA: S25857-Z8; Corr. ICTU/TUI/CRC, inc. Ó hUig to Fitzpatrick TUI 6/09, and Fitzpatrick to Cassels 26/09/90, ICTU Archive: PN-1; CRC, ‘Programme for National Recovery: Summary of Achievements’, Sept. 1990, and Ahern to Cassels, 18/09/90, with h/w note: “Confidential”, S25857-Z9; ICTU, ‘Executive Council to seek approval to open talks on new Programme’, n.d. [19/09/90]: ICTU Archive: PN-2

⁵⁵ ICTU proposals, Cassels to Haughey, 28/09/90. ICTU Archive: PN-2 and, ‘Congress to seek early meeting with Government’, IT 27/09/90; *Ireland 1990-2000*, ICTU 1990h;

PNR craft unions who had been outside the 1987 talks. It formed a range of its own policy sub-groups of ICTU officers and trainers to compile policies.⁵⁶

Haughey welcomed ICTU's "concept of a ten-year strategy within which programmes for a period of years would be agreed", as well as its proposals for the structure, issues and even name of the putative agreement. He met employer groups and farmers too, who, as with ICTU, declared in joint statements with government their "general agreement on the importance of a new programme and a commitment to seek successfully to negotiate one". Though not a negotiating partner, the CII also urged that a new deal be achieved.⁵⁷

As Rory O'Donnell later remarked, an essential "glue" of partnership on which all else rested was a realistic, workable deal on pay. The FIE's primary objective was to keep costs to business low, with "a sensible arrangement on pay" based on continued "tax relief". It would accept an agreement "on the right terms", but any initiative on worker participation in company decision-making must involve a voluntary framework, and it would accept no restrictions on "contract workers". This was a response to ICTU who again sought a national minimum wage, restrictions on employers pressurising workers to become self-employed "contractors", and a clause enabling some degree of additional local bargaining.⁵⁸

Government's eagerness for an agreement saw it set the pace on pay, committing early to forgo a pay pause, and agreeing to a similar approach to "special awards" as under the PNR, though again with certain conditions and deferrals. Internally it planned for a public pay bill increase of 9 per cent in 1991. ICTU, facing "very high expectations" due to the "build up" of special claims, accepted government's phasing proposals linked to budgetary constraints, given its concession on a pay pause. The final package would depend on its tax aspect, and on this the ritual budget dance was played out, Reynolds warning of "little

⁵⁶ 'Membership of Negotiating Group on a PESD'; 'PESD - First Meeting of Negotiating Group on 02/10/90, Agenda', n.d.; 'Specific Areas for discussion with Government on a PESD', n.d.; Cassells, 'to Each Member of the Negotiating Group, Re. Meeting with Government Monday 8 Oct. 1990', 03/10/90; [Cassells], 'Meeting with Government/Briefing Notes for President', n.d. [for mtg. 08/10/90]; ICTU, '[Press] Briefing on Negotiations on PESD', 08/10/90; ICTU Archive: PN-2

⁵⁷ Haughey "welcomes", Dáil, 31/10/90; meetings, 'Joint Government/ICTU Statement', 08/10/90, 'Joint Government/CII, FIE and CIF Statement', 08/10/90; 'Joint Government/IFA, ICOS, ICMSA, Macra na Feirme Statement, 10/10/90, in GIS: D/Taoiseach; Haughey to Cassells, 03/10/90, ICTU Archive: PN-2; CII, *Quarterly Review*, Oct. 1990; 'Compensation for oil hike not on: CII', *Irish Independent*, 19/10/90

⁵⁸ O'Donnell and Thomas 1998: 132; *FIE Bulletin*, Nov. 1990; ICTU, internal, 'Pay and Conditions of Employment', n.d., ICTU Archive: PN-1

room for ... reductions”, ICTU threatening that without “radical tax reform” there would be “no pact”, farming organisations complaining of public pay undermining the national finances, and Haughey intervening to “pledge” “significant” tax reform. A crucial change was linking public pay to a modernisation process, introducing performance management that would develop over subsequent years. Civil service unions welcomed this major structural reform and traded cooperation with it for consultative structures and “workplace partnerships”.⁵⁹

On private sector pay ICTU noted how local arrangements for “add-on” bonuses, productivity “allowances”, VHI benefits and service pay were proliferating in strong companies under the PNR as direct pay rises were limited under its terms. These benefits tended to nullify the catch-up effect of flat rate increases for the lower paid in weaker employments. It continued nevertheless to seek a national minimum wage and, short of that, an extension of JLCs and a “voluntarily agreed” minimum with a “Low Pay Unit” to monitor pay levels, and unions having recourse to the Labour Court for increases for workers earning below this. ICTU prioritised a local bargaining clause, both to meet demands of workers in stronger industries and maintain shop-floor union activity. Any arrangement, it decided internally, should ensure “maximum continuous local involvement in negotiations over the period of the new programme”. Employers, reversing their 1987 position, were mainly concerned not to suppress wages but prevent a costs spiral from local bargaining, and ICTU believed they would accept a local clause “capped in some way”. Government had urged employers to be prepared to concede some local bargaining mechanism. A pay formula was finally agreed, combining percentage and minimum flat rates and conditional on competitive conditions. It also allowed, “exceptionally”, for one-off additional local claims, capped at 3 per cent of pay costs over the period of the PESP. Both

⁵⁹ Plans for public pay, O’Sullivan, D/Taoiseach, ‘Working Group with ICTU on Pay and Conditions’, 01/12/90, ICTU Archive: PESP-PWG; ICTU “expectations”, Doc., no title, PSEU to ICTU, 17/11/90, ‘for Public Service Committee’, ICTU Archive: PESP-PWG, ‘Public Service Pay. Position at end of meeting on 05/12/90’, ICTU Archive: PN-1 and John O’Dowd, CPSU, ‘To each branch. Re: Pay Aspects of PESP’, 16/01/1991, ICTU Archive: PN-2; on Reynolds, ICTU, IFA and Haughey interventions, ‘IFA/ICMSA views in relation to Macro-Economic Stability in the new PESP’, 28/11/90, O’Sullivan, D/Taoiseach, ‘Working Group with ICTU on Pay and Conditions’, 01/12/90, ICTU Archive: PESP-PWG; ‘Tax reform or no pact: unions’, *Irish Independent*, 19/10/90; ‘ICTU warns tax reform needed in economic plan’, *Irish Times*, 19/10/90; ‘New deal will include tax reform pledge – Taoiseach’, *Irish Independent*, 22/10/90; on “performance” system, PSEU to ICTU, doc. on pay strategy, no title, 30/11/90, and ‘Memorandum of Understanding on the Operation in the Public Sector of Clause [X] of the Agreement on Pay which forms part of the PESP’, ICTU Archive: PESP-PWG; PESP, Annex 1 to Appendix A

employers and government rejected a statutory NMW, but agreed to the Employer-Labour Council investigating acceptable minimum levels, and to the Labour Court taking these “into consideration” in assessing claims.⁶⁰

The non-pay aspects of the programme were drafted in joint working groups, as in 1987, with tax reform again to the fore. Their proposals fed into a “central team”, headed by Kirwan for ICTU and Ó hUiginn for government. The CII were again active, submitting industrial policy and competitiveness proposals. The framework of the PESP, while anticipated in ICTU’s *Decade of Development*, was provided by the new report agreed by the social partners at the NESC, *A Strategy for the Nineties*. In 1989 Haughey had requested it to produce a strategic study as the basis for a post-PNR agreement, as its 1986 Report had been for the PNR. The new strategy was drafted by NESC economist, Rory O’Donnell, and negotiating each chapter dominated the NESC agenda throughout 1990. A consensus emerged on a 10-year programme continuing the monetary/industrial policy framework of the PNR but adding a radical programme of structural reform to modernise social provision and policy-making and service delivery institutions.⁶¹

In addition to a study to underpin a post-PNR agreement, Haughey also strengthened the NESC, upgrading the civil service presence when appointing a new council in summer 1989 by having department secretaries rather than, as heretofore, assistant secretaries, represent government. In a further innovation he invited the European Commission to appoint an advisory “observer” to the

⁶⁰ On “add-ons”, ICTU, memo, no title, re low pay/NMW, n.d. [Nov. 90], ICTU Archive: PESP-PWG, Barbara Kelly, SIPTU, to Bill Attley, ‘Post-PNR (30th Round) Settlements’, 17/12/90, ICTU Archive: PESP-PWG and ICTU EC mtg. 18/09/90, item 1955; “low pay” strategy, ICTU, ‘Working Group on Pay and Conditions. Low Pay. Proposals for a National Minimum Wage’, 23/11/90, ICTU Archive: PN-1; “continuous local involvement”, [Cassells], ‘Mtg. with Government/Briefing Notes for President’, n.d. [08/10/90], ICTU Archive: PN-2; “capped in some way”, ‘Working Group on Pay/Conditions, Briefing Note for Meeting’ of 23/11/90, ICTU Archive: PN-1; “government urges employers”, ‘Conclusions of Inter-Departmental Committee Meeting on 8 December 1989 re. Point 12 of ICTU Plan’, DTA: S25857-Y; “capped at 3 per cent”, ICTU, ‘Meeting on Pay and Conditions, 17 Dec. 1990 - Statement by Chris Kirwan’, 17/12/90, ICTU Archive: PESP-PWG and PESP, Appendix A; “take into consideration”, ICTU AR 1991: 43

⁶¹ ‘On negotiation system and working groups, ‘ICTU. Negotiations on PESD’ - Response to ICTU Framework for Discussions, Broad Outline of Issues, Establishment of Working Groups, 18/10/90, ICTU, ‘Negotiations on PESD. Working Group on Tax Reform’, n.d. [Oct. 1990], ICTU Archive: PN-1, ICTU, ‘Negotiations on PESD - WG on Tax Reform’, n.d. [22/10/90], ICTU Archive: PN-2, ICTU Press Release, ‘No Tax Reform, No Programme’, 18/10/90; on CII activity, CII, papers for Working Groups on ‘Competitiveness and Economic Slowdown’ and ‘Economic Cohesion and Regional Development’, ICTU Archive: PN-1, [Cassells], ‘Meeting with Government/Briefing Notes for President’, n.d. [08/10/90], and PSEU [i.e. Dan Murphy] to ICTU, ‘PNR4 – Structure of Discussions’, 15/10/90; *Decade*, ICTU 1990h and *Strategy for Nineties*, NESC 1990; on O’Donnell’s role, NESC Council Minutes, 16/06/89 and 27/07/90 and ‘Council Meeting 17/11/89, Briefing for Chairman’, NESC Archive: Box 3 (Correspondence); “consensus emerges”, NESC Council Meeting 17/11/89, Briefing for Chairman’, NESC Archive: Box 3 (Corr.) and ‘Update on Workprogramme’, 21/12/90, NESC Archive, Box 3c, ‘Meetings’

NESC. Delors nominated a figure from his own *cabinet*, Joly Dixon, considered his “right-hand man on EMU”. These moves by Haughey further institutionalised social partnership by integrating the top echelons of the state with the social partners in the planning structure. The alliance between government and social partners, Haughey declared, was “one of the most powerful instruments of progress this country has ever known”, an alliance “in effect between government and people”. The significance of these moves was not lost on the opposition, with John Bruton criticising them in the Dáil, especially the appointment of Dixon and departmental secretaries who would now have to answer to the body as in breach of the Council’s own constitution.⁶²

The NESC’s 470-page *Strategy for the Nineties* was completed in October 1990. It advised continuing the monetary/fiscal “principles” of the PNR, with some refinement, as well as the industrial strategy of growing selected large-scale indigenous companies, especially in the food sector, targeting high value-added FDI and supporting start-ups. As Cliff Taylor noted, in this the NESC was “re-visiting territory over which it has tramped many times before”. On Europe it reiterated its recommendations in *Ireland in the EEC* for a close alliance supporting rapid integration, with large scale regional transfers to ensure “balanced” growth, rapid implementation of policy changes required for EMU, and the defence of national interests in areas such as farming and VAT harmonisation.⁶³

The novel aspect of *Strategy for the Nineties*, however, was its far-reaching proposals for structural reform, to be implemented over a decade, enhancing state planning capacity and service delivery. Its proposals included a semi-autonomous health executive agency (later the HSE), re-structuring the Central Bank to broaden its representational base, and a board to plan the national finances (later the NTMA), as well as structural changes to improve the quality and delivery of educational, industrial, social, labour market and local government systems. It listed its policy modernisation and social equity goals and proposed keeping tax cuts moderate while shifting focus to widening the tax base. It also supported a strengthened role for semi-state industries, with further

⁶² On Joly, en.wikipedia.org/wiki/Joly_Dixon (accessed 20/03/19); “most powerful instruments”, Haughey, ‘Speech at Cáirde Fáil President’s Dinner’, 04/12/1990, GIS: D/Taoiseach; Bruton in Dáil, 30/01/91

⁶³ Taylor in *Irish Times* 26/10/90; NESC view in NESC 1989

commercialisation, and privatisation where appropriate, and “area based strategies” to tackle long-term unemployment and poverty. It also recommended strengthening “consensus-forming arrangements” to underpin partnership and vitiate “populist policies”, and appealed for Ireland to look to successful small states such as Austria, Denmark and Finland for appropriate models of institutional reform, re-focusing “policy-learning and development towards them, and away from more traditional points of comparison”, i.e. Britain.

With the NESC report as the framework, the working groups of government and social partners fleshed out the details of a “Partnership for Economic and Social Progress” (PESP). The result was bulkier and nearly three times as long as the PNR. As well as macro-economic principles and industrial strategies, it covered tax reform, employment and training, agriculture, combating long-term unemployment, and legislative reform. It continued the PNR target of 20,000 new jobs per year, further tax compliance and enforcement measures, and programmes to combat the black economy, expand the welfare system, reform the health service, and provide for disabled people. It also promised a Child Care Bill, improved patient and consumer rights – a PD priority – as well as controls on drug costs, expanded educational provision - especially in further education and access for disadvantaged groups - expanded youth services, parental involvement in education, measures on homelessness, increased social housing (including through “innovative” housing association), traveller accommodation, strengthened private rented tenants’ rights, reform of the legal system, overseas aid, a second Council for the Status of Women, amendments to employment equality legislation, a childcare initiative, a roads/transport plan, tourism, marine development, an environmental action programme, arts and culture initiatives, new apprenticeship schemes, horticulture and forestry strategies and rural development. It also included a special section on the semi-states, incorporating the CRC “principles” drafted following the historic Haughey/ICTU deal of March 1990, a chapter on the “EC Dimension”, and the establishment of local partnership companies for high-unemployment areas.⁶⁴

⁶⁴ “flesh out details”, working group papers and notes of discussions, in ICTU Archive: PN-1, PN-2 and PESP-PWG; “final form”, PESP 1991

The PESP was an extraordinarily detailed programme, far more so than either the PNR or the Programme for Government. Unlike the PNR, it incorporated the draft pay agreements, but maintained the mechanism of the Central Review Committee (CRC) and committed to await the NESC's review of partnership institutions before proposing changes to the structures of participative planning.

ICTU strengthened its hand in the talks by again joining forces with the Combat Poverty Agency and, with the support of other "poverty" NGOs, issuing a joint programme with CPA for "an all out effort ... to wipe out the scandal of poverty in Ireland before the end of the decade". This centred on Commission on Social Welfare recommendations, a national minimum wage, a National Anti-Poverty Strategy and a "major assault on long-term unemployment" through "area-based strategies" and a "Community Development Programme". All of these would ultimately be achieved, by 1997, though some already in the PESP.⁶⁵

ICTU also attempted, less successfully, to build political support for the PESP. While Fine Gael expressed support for "the overall approach outlined by Congress as a basis for discussion", it sought reform of the partnership process itself, especially "some format ... to involve the Parliamentary Opposition as a normal feature of this process" so that agreed strategies could continue "regardless of changes of government". This at least indicated that while Fine Gael sought structural reforms, it no longer opposed social partnership *per se*.⁶⁶

The ICTU Executive endorsed the final draft and recommended it in January 1991 balloting by member unions. A special conference on 21 February would decide its final position. While endorsement procedures varied between unions, with some craft groups relying solely on an executive decision, the large general and public service unions organised secret ballots. The executive of the new 60,000-member public service union, IMPACT, formed by a fusion of the LGPSU and UPTCS (and later the IMETU), agreed by large majority to recommend acceptance of the PESP as it offered the "best achievable" terms, preserved the

⁶⁵ On the ICTU-CPA alliance, Press Release, 'ICTU meets Combat Poverty Agency on Government Talks: Broad Agreement on what is needed to tackle poverty', 09/10/90, ICTU Archive: PN-2, ICTU, h/w notes, 'PESD', n.d. (Oct. 1990), ICTU Archive: PN-1, 'ICTU. Specific areas for discussion with Government on a PESD', 18/10/90; ICTU, 'Working Group on Jobs, Meeting with Government, 24 Oct 1990', ICTU Archive: PN-2, and ICTU, 'Working Group on Social Services - Health, Meeting with Government, 23/10/90. Agenda', 'Negotiations on a PESD, Working Group on Social Services, 31/10/90', ICTU Archive: PN-1

⁶⁶ Jim Mitchell TD to Cassells, 17/10/90; ICTU Archive: PN-2

“freedom to pursue grade claims” and progressed many “Trade Union social and economic aspirations”. Its members voted by over 70 per cent in favour, a majority replicated in other public sector unions. In often difficult-to-organise workplace or union hall ballots, SIPTU members voted 60:40 per cent in favour on a 50 per cent poll. The largest unions thus committed to the ICTU position. Opposition unions such as the ATGWU urged a “no” vote on traditional grounds, craft unions rejected it, and a “grass roots” movement also rallied opposition.⁶⁷

In the Dáil, and in some contrast to when the PNR first faced union ballots in 1987 and a special conference on continuing with the programme in February 1990, this time opposition leaders, while quibbling with government economic policy and aspects of the partnership system, called for the PESP to be endorsed. Labour’s Ruairi Quinn, though not his party leader, Dick Spring, who remained silent, urged support for both the NESC plan and the PESP. Again in contrast to 1987 and 1990, the ICTU, at its special conference in February 1991, achieved an overwhelming majority of 224:109, or nearly 70 per cent, for the PESP.⁶⁸

A last minute hiccup, as always, provided for some final drama. In recommending acceptance of the PESP, ICTU made this conditional on “a satisfactory outcome” to a stand-off with the CIF over the application of the PESP’s local bargaining clause in the construction industry. Building industry leaders complained of ICTU’s “most extraordinary decision” which put it in the “invidious position” of being responsible for the fate of the entire agreement. As with the CIF’s similar last minute hesitation in 1987, it finally relented, however, and a special “memorandum of understanding” between the ICTU and CIF on the application of the local bargaining clause was appended to the PESP.⁶⁹

⁶⁷ ICTU recommendation, ICTU Special EC mtg. 17/01/91, items 2059-61, *ICTU Press Release*, ‘Programme for Economic Progress [sic]: ICTU Executive Recommends Acceptance’, 17/01/91, and Cassells ‘To Each Affiliated Union in the Republic’, ‘Notice of Special Delegate Conference, Thursday 21 February 1991’, 21/01/91, ICTU Archive: PN-2; IMPACT and public service position, ‘Minutes of Meeting of Joint Executives (LGPSU/UPTCS)’, 16/01/91, ‘Minutes of Inaugural Meeting of CEC’, 04/02/91, ‘Minutes of Special Meeting of CEC’, 18/02/91, and ‘IMPACT: Ballot on PESP_’, n.d. [January 1991], IMPACT Archive: Meetings of the CEC; SIPTU ballot, Croke, ‘Trade Union Membership Participation in Collective Bargaining’, *IRN Report*, 14.01.1993; opposition unions and “grass roots” movement, M. O’Reilly, Secretary, ATGWU, ‘To all Members, Branch 11/90’, 04/02/91, and anon., ‘Trade Unionists and Unemployed Against the Programme’ [leaflet], 08/12/90, ICTU Archive: PN-2

⁶⁸ Ruairi Quinn in the Dáil, 19/02/91; ICTU vote, ICTU AR 1991: 48-9

⁶⁹ *ICTU Press Release*, ‘Programme for Economic Progress: ICTU Executive Recommends Acceptance’, 17/01/91, ICTU Archive: PN-2; Thomas Reynolds, Managing Director, CIF, to Peter Cassells, 21/01/1991, ICTU Archive: PN-2; ICTU-CIF “memorandum of understanding”, PESP, Annex 2 to Appendix A

Chapter 11

Metamorphosis: Economic and political consequences of the PNR/PESP

Prototype Tiger: towards an “economic miracle”

A pre-planned transformation of the Irish economy was implemented under the Haughey governments of 1987-92, establishing the essential features, trajectory and much of the detail of the economy of the following decade. As in the previous critical transitions of the 1930s and 1960s, a maturing policy consensus was adopted, adjusted and implemented by an activist Fianna Fáil leadership. National economies can be steered by government policy, but will necessarily be co-shaped by semi-autonomous factors such as inherited financial and agricultural structures, or external events such as changes in international trade rules. This was no less true in 1987-92 than in the earlier transformations.

The PESP, agreed during the dramatic events immediately following the fall of the Berlin Wall, re-committed to the PNR economy model, adding a 10-year frame of structural transformation. Given the new global turbulence it stated its “overriding principle” to be reducing the debt/GNP ratio to 75 per cent of the EC average and “closing the gap” with EC living standards by 2000. Consistent progress towards these goals, it said, would boost business, consumer and market “confidence”, driving investment. Ambitious infrastructure expansion would be assisted both by the EC and the private sector. It backed speedy EMU, though balanced by policies to “suit Ireland’s social and economic needs”.

The emerging global environment impacted immediately on the “Irish model”. Ministers, including from the PDs, now fully in support of Haughey’s economic strategy, urged firms to “grasp the immediate opportunities” opening in Eastern Europe, especially through joint ventures with the mostly German companies active there but, as Reynolds presciently noted, EMU might “well prove even more momentous”. Ministers portrayed Ireland as the EC state most supportive of “expediting” EMU, insisting that the “German situation not delay EMU”, the EC “speed up ... integration [to] provide a stable environment in a changing world”,

and urging that global trade barriers be dismantled: “As a small and totally open economy”, Ireland needed “continuing growth in world trade and the on-going integration of national economies into the global economy”.¹

Monetary policy reduced the exchequer borrowing requirement (EBR) in 1990 to a fifth of its 1986 peak, and initially the industrial policy focus of the PNR was maintained. “The main focus and objective of Industrial Policy”, Industry and Commerce, now led by PD minister Des O’Malley, reiterated, “is to build strong, internationally-trading indigenous industries”. Despite the changes of 1988-89, it still saw FDI as ancillary to this objective, providing higher-value production and “linkages” to Irish firms. Start-ups, though only with export potential, would be supported and semi-states, though only if private capital-led, assisted to expand.²

But expanding indigenous export industries, the “main objective” of the PNR, became the *Sorgenkind* of national policy, as described in chapter 8, even where it was delivering successes. Despite “a vast range of incentives and programmes”, an internal analysis concluded, “the lack of innovation, limited management capability and absence of good projects were constraining development”. It would be “some years” before growth in the food sector would deliver employment dividends. The Department bluntly titled another report “Poor Response from Private Sector to Job Creation”. The problems besetting the beef industry, described in chapter 8, were further compounded in 1990 by the BSE crisis and the Gulf War. Government secured EC concessions on market access and emergency intervention to prevent the industry collapsing, while the CRC established a crisis group on the industry, inducing government to provide “working capital” and increase agency supports to companies facing insolvency.³

¹ “grasp opportunities”, Des O’Malley, ‘Speech at a Forum on Economic and Trade Links with Eastern Europe’, 01/03/90 and “more momentous”, Reynolds, ‘Address to IMI National Management Conference, Killarney’, 28/04/90, GIS: D/I&C; “expediting EMU”, Haughey, ‘Speech by the Taoiseach at the presentation of the Sunday Independent/Ulster Bank Business of the Year Awards’, 15/02/90, GIS: D/Taoiseach; D/Finance, ‘Address ... to the Committee on Economic and Monetary Affairs and Industrial Policy of the European Parliament, Dublin Castle, 28/02/90, GIS: D/Finance, Reynolds, ‘Address to ETUC at Brussels’, 05/03/90, GIS: D/Finance and ‘Address to Annual Meeting of IMF and World Bank at Washington’, 26/09/90, GIS: D/Finance.

² National borrowing “peak”, Reynolds, ‘Address to the closing dinner of the Annual Conference of the CII’, 23/02/90, GIS: D/Finance; industrial policy, ‘Brief for Taoiseach’s meeting with ICTU 23/1/1990, ‘ICTU Plan, Sharing the Benefits - Major Review of Industrial Policy’, DTA: S25862-F

³ “vast range of incentives”, D/I&C, ‘Brief for Taoiseach’s meeting with ICTU 23/1/1990 - Major Review of Industrial Policy’, DTA: S25862-F; “poor response”, Paul Bates, D/I&C, to D/T, encl.: ‘Poor Response from Private Sector to Job Creation’, Nov. 1989, DTA: S25862-D; CRC on beef industry, Cassells to Ó hUiginn, 30/08/90, and ‘Summary Reports’ of the CRC “Working Group on the Beef Industry”, Sept.-Oct. 1990,

A further problem for the PNR strategy was the unanticipated form exporting industries took in exploiting the opening global economy. Few Irish global firms had existed before 1987 but many now emerged, notably in dairy foods through the newly incorporated co-ops, in manufacturing through firms like Smurfit and Glen Dimplex, in construction through CRH and Sisk, and a range of others in services. But, contrary to national strategy, and despite unprecedented state supports, these new companies, as described in chapter 8, were tending to expand through “restructuring” at home and, by exploiting new capital openings, through profit-“off-shoring” and acquisitions abroad. While contributing to value growth, they were delivering little new employment. The sector also suffered growing reputational damage from accusations of a “culture” of corruption. What had been a core NESC strategy of preferential state backing for promising firms was increasingly under attack as “crony capitalism”.⁴

In this context of uneven performance, government examined its policy options. Haughey admitted in late 1989 that depending on large-scale indigenous industry, while successful in contributing to growth, had proved “disappointing” in creating jobs. As the IDA had already noted the previous year, it was more the neglected small industry sector, mostly new service-focused start-ups, that was demonstrating a “surprising buoyancy” and “running ahead of expectations” in both expansion and new-job creation, accounting for a quarter of all jobs growth. The presence in cabinet of the PDs, champions of small business, assisted a return to supporting the sector, not least reforming company law in its favour. But it was the previously downplayed FDI sector which, following several key government policy changes, would re-emerge as the real driver of growth.⁵

As already noted, FDI had performed poorly since 1980, even contracting in the mid-decade for the first time since the 1950s. As the NESC and ESRI had concluded in 1982, from reports such as Telesis produced under Haughey’s National Understanding of the time, this was due to the *laissez-faire* FDI strategy

D/A&F, ‘CRC - Beef Industry Problems’, 11/09/90, and D/A&F Note, ‘Draft - Outline of the Current State of the Irish Beef Industry’, D/A&F, ‘Outline of Paper on Beef Industry’, n.d. (Sept. 1990), and Oifig an Aire Talmhaíochta agus Bia, ‘Memorandum for Government - Farm Income Situation’, 12/09/90, and ‘Summary Report of Second Meeting on Beef Industry’, 19/09/90, all in DTA: S26694

⁴ “culture”, O’Toole 1994

⁵ “disappointing”, Haughey in Dáil 24/10/89; IDA assessment, White, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N; PD effect, O’Malley, D. 2014: 184-6

of the Whitaker era having run its course, with basic-production firms attracted during that time withdrawing as protectionist benefits ended. Telesis described these FDI firms as having proved costly, unreliable and unsustainable, and advocated the strategy change to “picking winners” in the domestic sector. With new FDI slowing in the 1980s to what the IDA called a “trickle”, the 1986 NESC report adopted Telesis’s proposals, and the PNR as a consequence focused on the potential of large indigenous industry, treating FDI as an ancillary element though targeting it to high-end sectors to drive production quality and linkages. In line with the PNR focus, I&C under Reynolds initially scaled back attracting new FDI in favour of improving export capacity among the 900 FDI firms “still in Ireland”. A dominant view of FDI as volatile persisted, and after Eastern Europe “opened” in 1989, many feared a further exodus, this time eastwards, with the CII making the case for increased business incentives to counter the threat.⁶

Haughey and the *Way Forward* group, however, had never been convinced of this “ancillary” view of FDI and while fostering large-scale indigenous industries, continued in 1987 to champion FDI, much to the IDA’s relief. FDI revived in 1988, the EC attributing a new “substantial inward flow of capital” to the policy stability provided by the PNR. Besides small start-ups, FDI soon proved the other major new-job creator, with the IDA reporting 4,700 new jobs in the sector by October, a net increase of 2,700, with even existing companies in the Shannon Zone expanding despite the imminent end of its special status. The IDA told government that the “criticism of overseas industry” had proven “misplaced” and Haughey leveraged his “partnership” with Delors to secure Commission approval to replace the zero export tax rate with a low 10 per cent corporation tax on manufactured exports, applicable at least to 2000, and to apply the same rate at the IFSC. It was the immediate success of the changed focus of the IFSC to managed funds in late 1988, exploiting an early reform in capital opening, that proved a turning point. While the IFSC, lampooned by political opponents as a

⁶ on Telesis and 1980s strategies see chapter 7; “trickle” and “still in Ireland”, D/I&C, ‘Progress in the Provision of Jobs’, 27/05/88, DTA: S25857-E; CII demands, CRC, ‘Summary Report of 24th Meeting’ 12/03/90’, h/w notes of CRC meeting 12/03/90, and IDA, ‘Developments in Eastern Europe – Impact on Mobile Industrial Investment’, for CRC, 25/04/90, DTA: S25857-Z4

"white elephant", still only involved a few firms employing less than 200, it now began to grow, achieving 2,000 employees and funds of over £20bn by 1992.⁷

The debate on EEC strategy at the NESC in 1988 further drove policy change. The CII argued that while EMU opened opportunities for exporting industries, it could generate much greater FDI if Ireland positioned itself as "a gateway to the Single Market" for mobile investment, incentivising it through low taxes and profit repatriation facilitated by double-taxation rules, and by liberalising capital movement ahead of competitor states, an approach Tony Ryan of GPA had already urged in 1987. Haughey had sensed the potential of such a strategy in 1986 when observing the reaction of Irish-American financiers to Dermot Desmond's proposal for the IFSC. The same policy change in late 1988 which led to the "wave" of interest in the centre in early 1989 was now also applied to general FDI policy, with the IDA soon reporting how FDI "surged" in response to it promoting Ireland as a "key location in preparation for ... the Single Market". By mid-1989, I&C predicted a "potentially significant surge" in inward capital.⁸

In the critical year to early 1990, as the global economy opened, the IDA brought in a range of top FDI companies on the basis of what Reynolds called this "unique selling point", including Fujitsu, Motorola and Isotec. But it was a further policy change proposed by inward investors themselves that completed the new government FDI formula. When Apple, the first US computer firm to locate in Ireland, employing 1,500 workers and contractors in Cork, but now struggling to survive against rivals, threatened in 1990 to relocate to Singapore as the zero export rate expired, Haughey and his officials stretched regulations to their limit

⁷ "never convinced", see chapter 6; "IDA's relief", interview Pádraig White; EC view, 'President Delors on the Economic and Social Development of Ireland within the EC', 28/10/88, GIS: D/Taois.; on new FDI, IDA Ireland, 'Review of IDA's Three Business Areas, 1988,' 05/01/89, DTA: S25857-N and D/I&C. '20,000 Target ... Progress Report of Mid-Year', August 1988, DTA: S25857-G; on Shannon, Bates, D/I&C, to CRC, Nov. 1989, DTA: S25862-D; "misplaced", 'Review of IDA's Three Business Areas, 1988,' 05/01/89, DTA: S25857-N on EC approval of tax rate, D/I&C, 'Review of Industrial Performance 1990', n.d. [Nov. 1989], DTA: S25862-D and David Hanna (IDA) in h/w notes of CRC mtg. 26/05/90, DTA: S25857-Z6; on IFSC 1988 "turnaround", see chapter 7, and post-1989 IFSC growth, Reddan 2008

⁸ "gateway", Connellan CII to Danaher, NESC, 29/09/88, 'Council Meeting 16/12/88', NESC Archive, Box 2, also 'Address by Liam Connellan ... at Bray Chamber of Commerce', 23/04/90, DTA: S25857-Z6; "double taxation", Con Power, 'US Tax and Investment, Four Key Issues', *CII Newsletter*, 03/10/89; GPA proposal, Peter Denison-Edson, Senior VP, GPA Corp. Affairs Japan, to Dermot Desmond 11/06/87, DTA: S25150-A; FDI "surged", IDA, News Release, 'IDA review of 1988 and outlook for 1989', 05/01/89 and Minister Ray Burke, 'PNR Recovery Job Target Exceeded in 1988: End-Year Statement on Industry Performance', 29/12/88, GIS: D/I&C; single market strategy, 'Effects of Internal Market in Inward Investment' encl with h/w note, from Lonergan, D/I&C, to Ó hUiginn, 10/05/89, DTA: S25857-R; "significant surge", Seán Dorgan in h/w notes of CRC 'Sub-Group on Job Creation', 28/06/89, DTA: S26122-A

to retain the company. They agreed to combine low tax and profit repatriation with Apple investing its intellectual property (IP) in a “parent company” in a non-tax jurisdiction. Profits could be “repatriated” to this entity and IP royalties offset against tax. Apple would remain in Ireland, quadrupling its workforce over the following decade, and the same package was offered to other technology companies, laying the basis for the sector’s European base concentrating in Ireland. Government, Ahern told the CII, also secured a loosening of EC double-taxation rules “against considerable resistance from states with concerns”, and convinced the US to defer tax repatriation reform for a decade.⁹

The new strategy was soon vindicated following an EC-US agreement that removed restrictions on microchip wafer technology transfer when the IDA secured its “biggest ever investment in Irish electronics”, by global market leader Intel, with the promise of 2,500 jobs. The sector surged after this, and would soon spawn Irish offshoots. By 1993, 100,000 or half of all manufacturing jobs, and two-thirds of corporation tax income, was accounted for by the FDI sector. In tandem with the new FDI focus and to complement it, the PESP inaugurated a radical expansion of third level technical training and a widening of access to it. In 1990 Haughey boasted how the World Competitiveness Report “rated Ireland first among developed countries in its ready availability of skilled labour”. The value chain began to change, with employment in software exceeding 5,000 by 1991, five times its 1985 level, and already accounting for IR£600m in exports.¹⁰

ICTU was not uncritical of this development, demanding that government curb low-tax profit repatriation and off-shoring by Irish companies. But the IDA warned government that incentive costs and “high levels of repatriated profits” should be accepted given the “actual economic activity” and “value added within Ireland” they generated. Ó hUiginn therefore urged Haughey to resist ICTU’s demands, saying FDI was now the best hope for growing corporate revenue, and

⁹ new 1989 FDI companies, CRC 1990; “selling point”, Reynolds, ‘Address at a seminar on the Dublin IFSC organised by the FSIA and IDA in Tokyo’, 14/05/90, GIS: D/Finance Apple “deal”, Cliff Taylor and Ian Kehoe, ‘Apple got tax deal in 1990’, *Sunday Business Post*, 26/05/2013; ‘A deal made in 1991 paved the way for Apple’s current tax issue’, *Business Insider*, 30/08/2016; Ireland lobbies EC, Ahern, ‘Address to National Council Luncheon of the CII’, 12/09/90, GIS: D/Labour

¹⁰ On Intel, Haughey in the Dáil 15/12/89, Ahern, ‘Speech to Dublin Chamber of Commerce’, 24/01/90, GIS: D/Labour, O’Malley, ‘Intel to commence £200m microchip wafer fabrication plant’, 07/06/90, and ‘Biggest ever investment in Irish electronics’, 03/10/89, GIS: D/I&C; “rated Ireland”, ‘Speech by the Taoiseach at presentation of the Sunday Independent/Ulster Bank Business of the Year Awards’, 15/02/90, GIS: D/Taoiseach; value chain and software, Power 2009: 198

“every modern open economy has to accept the problem of international profit flows ... All that can be done is to remove domestic impediments to the retention of such profits and ... encourage domestic investment”.¹¹

As Irish industry now began to move up the “value chain”, driven by FDI firms, basic production in the sector, such as at Dell, Impact and Digital, would move to Asia or Eastern Europe, but such “losses” were compensated by higher value-added new FDI and domestic enterprises. This process also drove a rapid growth of R&D in both FDI and indigenous companies, rising from 38 to 85 per cent of the EU average between 1985 and 1995, surpassing even the Netherlands. Irish long-term FDI strategy had thus essentially been put in place and already delivering dividends by 1991. A pre-Keynesian economy was being successfully re-engineered as a financialised one at the forefront of the global economy. What was occurring was, in Con Power’s word, nothing short of a “metamorphosis”.¹²

The Industrial Policy Review sought by ICTU during the PNR review and agreed in the PESP in 1991 would result in the Culliton Report of 1992, often portrayed as a PD initiative as it appeared under Des O’Malley as Minister of I&C. But, with FDI policy now set, the PD influence certainly strengthened the re-orientation of strategy in Culliton towards small business start-ups. The change of focus would lead to a spitting of the IDA, with indigenous industry, start-ups and exporting hived off to “Enterprise Ireland” and its local enterprise boards, and the IDA re-structured to focus solely on attracting further FDI.¹³

The accord reached by Haughey with ICTU on state industry in March 1990 incorporated that sector into the new strategy, likewise setting the pattern of its development. Private capital input led to expansions, successes and failures. No actual state strategy of privatisation was adopted until the 1997 FF-PD coalition, in again changed global conditions, opted for such a course. Haughey, and Reynolds after him, kept strictly to the agreement reached with ICTU in 1990.

¹¹ ICTU demands, ICTU 1989f; IDA on “repatriated profits”, on “repatriated profits”, IDA Ireland, ‘Review of IDA’s Three Business Areas, 1988,’ 05/01/89, DTA: S25857-N; Ó hUiginn opposes ICTU demands, ‘Briefing Material for Meeting between Taoiseach and Ministers for Finance, I&C and Labour with Executive Council, ICTU, 23/01/90 - Position in Relation to ICTU 30 Point Plan’, DTA: S25862-F

¹² On R&D expansion, Barry, Bradley and O’Malley 1999: 54; “metamorphosis”, Power 2009

¹³ Culliton 1992; “PD initiative”, O’Malley, D. 2014: 184; on IDA/EI, IDA AR 1993

This emergent new economy had many consequences for social partnership. Intel was the first major FDI firm to insist on a non-union policy, and with new service start-ups also outside of traditional union territory, the most important sectors of the economy were destined to develop without little union presence. This accelerated the trend, already identified, for the role of social partnership in economic policy co-determination to decline in favour of welfare state building.

In 1990 Haughey told his *Árd fheis* how the Irish recovery was being “increasingly spoken of internationally as a minor economic miracle”, and told his party elite that as a result “we have earned a new respect and status for our country among the nations of Europe and the world”. “Our achievements in economic management and success in transforming the economic outlook are constantly acclaimed abroad”. Fianna Fáil should take credit for this and “speak out loudly about the miracle their Government brought about”. Given the absence of a supportive media, this would prove a forlorn hope¹⁴

Template for a Social and Developmental State

The enduring economic model that took shape in 1989-91 was accompanied by, and interdependent with, the start of a transformation of the welfare state.

The PESP was unprecedented in its breath of policy goals across all socio-economic areas. No comparable all-encompassing social partnership programme existed elsewhere in Europe, apart perhaps from the initial agreements in 1930s Sweden and post-WW2 Austria. European “neo-corporatist” bargaining was largely confined to pay and related aspects of economic and welfare/labour policy. The PESP set the trajectory of the whole of Irish social policy development for a generation. The expansion of the institutional state initiated under the PNR was specified in detail in the PESP, setting principles of equality of access, quality development and citizen empowerment within a public-private-voluntary delivery model, in a further conceptual break from the British Beveridge model. Even local government reform, usually identified with a later period, extending local competences and mobilising civil society participation, was initiated in this period, through the “Advisory Expert Committee” of 1990.

¹⁴ “minor economic miracle”, Taoiseach’s address to Fianna Fail *Ard Fheis*, 07/04/90, DTA: S25858-Z3; “new respect”, ‘Speech at the *Cáirde Fáil Dinner*’, 04/12/1990, DTA: S25858-Z10

Though not specified in the PESP, it would develop in tandem with it. The restructuring of the welfare state and the beginnings of a National Anti-Poverty Strategy, as proposed by CPA and ICTU, also began under the PESP, as did the performance-management and open-recruitment model in the public services. Aspects of the sweep of institutional reform agreed in the PESP were to experience bottlenecks and delays, such as the HSE, NTMA, NRA and social housing models it proposed, but most would eventually be realised.¹⁵

That comparative studies of European partnership systems view the Irish model as a puzzle in its multiple outlier characteristics, is hardly surprising, as partnership was always about much more than purely economic or labour market management. It organised the “factors of production” to initiate a transformation of the economy, with incomes as a central “glue”, but also transforming the welfare state to an enabling factor in economic expansion. The PESP stated its objective as to “transform Ireland by ... 2000 into an economy of an advanced type providing significantly higher standards of living and greater economic and social equity”, with these mutually inter-dependent. The PNR and PESP expanded welfare state transfers, but also reformed it profoundly. As Haughey and Cassells correctly asserted in this regard, the “Irish model” was not only “unique in the history of the state” but “probably in Europe”.¹⁶

The 1990 NESC report underpinning the PESP critiqued the debilitating effects on institutional development and long-term planning of “populist” politics. Indeed, political scientists had long identified the electoral system as facilitating an avoidance of unpopular decisions and an obstacle to policy innovation. Dermot McCarthy, long-time Director and later chair of the NESC, regarded partnership as probably a necessity given the limitations of “electoral parliamentarism”, as it enabled “a much wider set of stakeholders” to be engaged in shaping and managing the “economic, structural and social change” Ireland urgently required but had been prevented from achieving due to the “limitations of the ... traditional rubric of parliamentary government”. Haughey’s impatience with bureaucratic atrophy and political populism was in the radical Fianna Fáil

¹⁵ On later local government reform, Dept. Environment 1996

¹⁶ Multiple “outlier”, Baccaro and Simoni 2006; welfare state, Carey 2007; “glue”, O’Donnell and Thomas 1998; “transform Ireland”, PESP VIII (9); Cassells in ICTU ADC 1990: 33-4 and Haughey in ‘Address by Taoiseach to the European Round Table at Dromoland Castle’, 13/05/90, GIS, D/Taoiseach

mould. PR had, after all, been imposed by the hostile 1920 Government of Ireland Act to prevent strong government emerging. De Valera, Lemass and Haughey had all championed its reform. The PNR/PESP partners regarded social partnership as essential to overcome these and other inherited institutional weaknesses.¹⁷

Thus far ... : setting limits to partnership institutions

In reviewing their respective roles in 1988, the NESC and CRC had concluded that a benefit of consensus policy-making by the NESC was that it gave the political sphere options which it could take or leave. But finalising the NESC report, *Strategy for the Nineties*, as the basis for the PESP was delayed by a failure by the Council to reach consensus on two key points. One was property taxes and the other, ironically, partnership's own "future institutional arrangements".¹⁸

The NESC's *Strategy for the Nineties* was reported in detail almost alone by the *Irish Times*, which editorialised that as a consensus strategy by government and social partners, it would, "like a new *Programme for Development*", "be looked back on in years to come as a significant step forward in policy formation". It also praised the "radicalism of the NESC" in "contemplating" a land tax to increase land use instead of trying "to maintain the maximum number of holdings".¹⁹

It was the report's section on tax, a draft of which was leaked before publication, that dominated what Ó hUiginn described as the media's "distorted" coverage. The *Independent*, with an editorial entitled "Wrong Tax", declared "the day the tax burden is lightened will be a long time in coming if the NESC advice is heeded". Appealing to populist sentiment, it further opined: "The kind of tax reform most people are looking for is simple: it is one which would leave people with enough of their own earned incomes to dispose of as they wish". The influential *Business & Finance*, describing the NESC as "the official talking shop of economic pressure groups" and the report as a "return of the spending lobby",

¹⁷ "populist policies", NESC 1990: 459 and Murphy, M. 2006: 92; McCarthy in McCarthy, D. 2006: 76; Haughey on multiple-seat STV system, interview Haughey 2005

¹⁸ "options", CRC, 'Functions, Membership and Work Programme of the CRC, SDC and NESC', n.d. [Sept. 1988], DTA: S25857-I; "institutional arrangements", NESC 1990

¹⁹ "Like a new *Programme*", IT editorial 26/10/90; "radicalism of NESC", IT editorial 13/10/90

demanded radical income tax cuts funded by further reductions in spending, suggesting “perhaps we should start by abolishing the NESC”.²⁰

Dáil opposition leaders, capitalising on Haughey’s weakening position as crisis rocked the presidential election, denounced what they misrepresented as NESC’s, and hence government’s, back-peddling on tax reform. In response, various ministers rushed to disown the NESC “proposals”, denying any plans for property taxes and describing service charges as a matter for the new expert committee on local government. In fact the NESC did not “propose” such reforms but simply suggested they be discussed as instruments for widening the tax base. When launching the report, Ó hUiginn explained that recommendations to restrain tax cuts and widen the tax base, including through property/land taxes, income-adjusted local charges and the abolition of mortgage and VHI reliefs, had been dropped due to opposition from farming bodies and the building industry.²¹

The PESP therefore, while continuing with income tax cuts, extending the tax base and improving compliance, did not mention property taxes, and tellingly committed to “promoting owner occupation as the form of tenure preferred by most people”. When in 1987 cabinet had discussed the most radical cuts, a property/land tax had been raised but, with Finance advice on its doubtful impact, had dismissed it as politically inopportune. The controversy over the NESC report nevertheless demonstrated that however interdependent the structural reforms proposed by NESC, party politics would determine their selective use. The opposition by interests and parties to property and land taxes and tax reliefs meant that reforms that might have shaped a very different evolution of property markets over a decade later, were prevented at birth by a political/media “consensus” fully independent of social partnership.²²

Another telling incident was ICTU’s failure to achieve NESC consensus on developing partnership structures. In 1987, with Ó hUiginn’s – i.e. Haughey’s – support, ICTU had suggested a study of “comparative institutions” in European countries that accounted for their socio-economic success. Its own view, later

²⁰ “distorted”, NESC minutes, 23/11/90; “Wrong Tax” and “kind of reform”, *Irish Independent* 13/10/90; “talking shop”, *Business & Finance* 01/11/90

²¹ Opposition attacks and ministers’ denials, *Irish Independent* 13/10/90, *Irish Times* 16/10/90; “Ó hUiginn explained”, *Irish Times* 26/10/90; original NESC proposals, ICTU AR 1991: 55

²² “owner occupation”, PESP IV (79); 1987 cabinet and D/Finance view, ‘State Papers’, IT 29/12/2017

outlined in *Decade of Development*, was that Ireland should replicate countries such as Germany, Austria and Finland which had “more developed economies, higher living standards and lower unemployment, achieved through National Programmes agreed centrally but implemented with a high level of worker participation and involvement at the level of the individual company”. ICTU’s aim, with which Haughey sympathised, was to achieve “a modern efficient social market economy ... similar to Germany”.²³

“Institutionalism” was much discussed by the NESC, with Katzenstein’s views heavily influencing its 1986 report. As already seen, the question of “appropriate institutions” for Irish partnership had already dogged that report, with employers unwilling to support strong specific recommendations. When a new council was being appointed in 1989, NESC’s secretary suggested that J.J. Lee, about to publish his major if pessimistic institutionalist study, *Ireland 1910-85*, be considered for appointment. In the event he wasn’t, and fortuitously perhaps as he was to emerge as a prominent critic of social partnership for its “hold over the next government” and its “emasculatation of the Dáil”. But the suggestion illustrated the prominence given to institutional thinking by the NESC.²⁴

The study now proposed by ICTU was suspected by employers and civil servants as a union stratagem to commit the NESC to Austrian-style corporatism, and the council became bogged down wrangling over its terms of reference. The study, “The Irish Economy in Comparative European Perspective”, was finally allowed proceed, contracted out to Norwegian political economist, Lars Mjøset. Its findings were to have informed a PESP section on partnership structures, and to mollify critics, NESC had even agreed that besides “corporatist” states, it also study Switzerland as a “liberal business” model. But the study was to be delayed by disagreements of interpretation, and would not appear until 1992.²⁵

NESC’s report to underpin the PESP, *Strategy for the Nineties*, reflected this stalemate, suggesting simply a need for stronger institutions to redress Ireland’s “very poor system of innovation”. It noted that institutions in successful

²³ ICTU 1990h

²⁴ Lee 1989; proposed for NESC, Danaher (Sec.) to Chairman [= Ó hUiginn], 28/07/1989, NESC Archive: ‘Ireland and the EEC’, Box 3; Lee on partnership, *Sunday Tribune* 19 and 26/01/97

²⁵ Mjøset 1992; debated at NESC, Danaher to NESC members, 26/09/90, NESC Archive: Box 3c ‘Meetings’; NESC Council Minutes, 17/11/89; ‘Update on Workprogramme’, 21/12/90 and Danaher to NESC members, 26/09/90, NESC Archive: Box 3c, ‘Meetings’; NESC Council Minutes, 01/10/90

countries had evolved in specific socio-political contexts that could not be “transplanted” to Ireland, and proposed that further consideration of the issue await Mjøset’s study. ICTU did however succeed in having the terms of reference for the Mjøset study included in the PESP, with a commitment to review its findings. The question of “appropriate” institutions would remain unresolved, and Mjøset’s report would prove to be a largely academic exercise.²⁶

The inability of the NESC to agree on future institutions at this formative stage meant that the structures of social partnership would develop in an ad-hoc rather than planned manner, with significant initiatives, such as the founding of the NESF in 1993 and the later broadening of the NESC, the result more of party political and government tinkering than concerted institution building. Mjøset’s report when it appeared ironically did find that the source of many countries’ success was indeed their “corporatist” “consensus”-seeking institutions.

A need for deeper partnership structures thus remained the preference of one partner, the ICTU, rather than a consensus of NESC, and on-going disputes over “worker participation”, central to ICTU strategy, would continue to dog social partnership. Through its alliance with government, ICTU secured a considerable extension of such structures in the semi-state and public sector, but in the private sector employers continued to resist any intrusion into management or shareholder prerogative, conceding only talks on “voluntary participation”.²⁷

ICTU hoped that Delors’ “Social Europe” would provide leverage on this issue, especially given a commitment in the SEA to revive EC-level “social dialogue” as part of the Single Market project. This led Delors to establish an EC-level union/ employer “steering group” on training policy in 1989, the first such cooperation in a decade, but it made little headway. Haughey and Ahern promised ICTU that Ireland would support the “Social Charter” but, following a meeting with Mitterand, Haughey also stated that member states should be free to apply it as in accordance with their own traditions. He also met ICTU requests to confer with the ETUC and Ahern delivered major social policy initiatives under the Irish EC Presidency. But, noting that differences between member states meant an intended Commission directive on worker directors was unlikely to proceed, the

²⁶ “await Mjøset’s study”, NESC 1990, Ch. 15; Terms of Reference, PESP, X; remains academic, Begg 2016

²⁷ PNR VI (4)

Department of Labour advised government that while it might proceed with participatory structures as agreed for the public sector, it should meet employer objections by supporting only a “voluntary and agreed” approach to participation in private industry, as was then agreed in the PESP.²⁸

As a result, following a review by a high-level “Civil Service Efficiency Audit Group” involving the state, unions and business leaders, and with Reynolds’ support, a performance management/pay system and open recruitment were trialled and Ahern “fully committed” to support “participative councils” in public service bodies. Under the PNR, worker directors were elected in additional semi-state companies and sub-board councils were established in 24 of 36 bodies. But there was little progress in private industry. The PNR “Advisory Committee on Worker Participation” of ICTU, FIE and experts from the IPA and IPC, recommended “enabling legislation” for worker representation in larger companies on the German model, but the FIE dissented, insisting in a minority report on a “purely voluntary approach” on an individual company basis. ICTU used the PNR “review” of January 1990 to again progress talks on the Committee, arguing that participation would enhance cooperation in competitiveness. Ahern sided with the ICTU, urging “a change of attitude on the part of management”: “The demand for greater employee involvement is undoubtedly growing throughout industry, and unless it is met, this motivation will not be forthcoming”. He assured ICTU he was “fully committed to the principle” and wanted “the consensus approach at national level translated to the level of the enterprise”, but advised “a voluntary rather than legislative approach”. In May 1990 he revived talks on participation in the private sector on this basis.²⁹

²⁸ SEA, Art. 118b; ETUC-UNICE “steering group”, O’Dowd 1992; Fajertag and Pochet 1997; Government on “Social Charter”, D/Labour, ‘Briefing for Taoiseach’s meeting with ICTU on 24 Nov.’, and ‘EC Charter of Fundamental Social Rights of Workers’, DTA: S25862-D; Haughey’s preference, Dáil, 24/10/89; Haughey/Ahern commitments, ICTU EC meeting. 21/02/90, item 1851; D/Labour advice, D/Labour, ‘CRC, ICTU Item no. 28: Worker Participation’, [Nov. 1989], DTA S25857-Y

²⁹ System “trialled” in public service, Reynolds, ‘Address to IMI National Management Conference’, 28/04/90, GIS: D/Finance, and ‘Speech at the launch of The Civil Service Observed by Dr CH Murray at the IPA’, 07/06/90, GIS: D/Finance; public sector boards, ICTU AR 1991 56; Ahern position, ‘Speech at annual conference of the PSEU’, 27/04/90, GIS: D/Labour; on “Advisory Committee” report, ICTU AR 1991: 55; PNR “review”, CRC 1990, ICTU 1990h; Ahern “sides with” ICTU, ‘Conference in Kilmainham on profit/gain sharing’, *IRN Report*, 15/11/90; “fully committed”, ‘Meeting [Minister and D/Labour with ICTU] 30 March 1990’, DTA S25857-Z4; Ahern, ‘Speech at annual conference of PSEU’, 27/04/90, GIS: D/Labour; “revived talks”, Ahern, ‘Speech at annual conference of MSF, 10/03/90, GIS: D/Labour and ICTU EC meeting. 16/05/90, item 1921

ICTU in public described the achievement of “workplace democracy” as one of its main priorities, complaining that “Irish employers’ attitudes ... lag far behind the practice in most European countries”. But it faced a major obstacle in the widespread indifference to the subject in its own ranks, which a leading study described as “marked by apathy”. Debates at its 1990 conference on pay bargaining, and the purely formal adoption of the “new trade unionism” strategy, had shown that pay and sectional advantage remained the main concerns of both pro- and anti-PNR unions, for all their left-wing rhetoric. Talks on “voluntary participation” continued in the negotiations on PESP, with one of ICTU’s first inputs a proposed “Framework Agreement” for an evolutionary process, extending to shareholdings. Cassells warned that an agreement “would not be worth having without this”. Employers held to a menu of different approaches, including new “corporate cultures” motivating employees through individual autonomy and share options rather than formal European-style participative structures. The PESP agreed that “participative arrangements” be trialled in the public sector, in combination with performance systems, and, for the private sector, a “Joint Declaration” by ICTU/FIE merely outlining a menu of options.³⁰

The outcome of these conflicts on land tax, future institutions and workers’ participation in companies revealed the political constraints preventing a deeper partnership system. The institutions of partnership would remain provisional, or expanded only through ad hoc measures such as the NESF or committees within the NDP. A similar restraining *outside* influence on the institutional consolidation of social partnership was the critical role of party political conflict.

Party politics: the (partial) demise of anti-corporatism

Post-WW2 governments involving Fine Gael were notable for their discontinuation of tripartite structures. Socio-economic planning was invariably returned “in house” and tripartite bodies side-lined or down-graded to an advisory role. Elite socio-economic policy bodies, notably the ESRI, were preferred. Labour, which might have been expected to champion tripartitism,

³⁰ ICTU complaint, ICTU, *Congress News*, No. 2, July 1990; “marked by apathy”, Gunnigle et al. 1999: 316; “Cassells warns”, ‘Draft Framework Agreement on Worker Participation’ in ‘Staff Meeting’ 22/10/90 - PESD’, ICTU Archive: PN-1; “not worth having”, Cassells in *IRN Report*, 43:90, 15/11/90; employer views, ‘Industrial Relations Conference’, *FIE Bulletin*, Nov. 1990; PESP compromise, PESP IX (7)-(10)

was ever wary of union power, preferring statist planning with advisory social partner input. It was instrumental in establishing many agencies with a tripartite element, but each government involving Labour ended in bitter party/union conflict. More left-wing parties, such as Clann na Poblachta and later the Workers' Party, tended to promote community participation rather than tripartite policy-making, which they criticised as undemocratic. In the decades from 1945, Fianna Fáil remained the sole champion of a radical tripartitism.

Fine Gael and Labour opposed the PNR in 1987 but, following its role in stabilising the economy and its growing public acceptance, accommodated to it. In 1989 Fine Gael undertook if elected to continue the PNR but modified to decouple policy-making from pay determination, and government policy primacy over the NESC. Tripartite forums would be made "transparent" through Dáil oversight and party political involvement. Labour proposed replacing the PNR with a traditional statist approach, though now described as "participative planning". Either option if implemented would have collapsed the PNR system.³¹

The 1990 "left" revolt in the ICTU threatening withdrawal from the PNR forced a further change in opposition party positions, as they urged union members to vote to maintain the agreement, though continued to propose "reforms" to it. The government's successful European strategy, reflected in Brussels' support for the NDP and a successful Irish Presidency, consolidated the system and reinforced its public acceptance, and this was reflected in the enthusiastic endorsement of the PESF by all of its partners, not least the 70 per cent union vote accepting it. Opposition critiques became muted, reduced to minor proposals for adjustments. Garret FitzGerald, a commentator again in *The Irish Times*, criticised partnership for usurping parliamentary government and while the PESF was being negotiated Dukes again demanded a role for the Dáil in the process. Jim Mitchell called for the NESC, and even the CRC, to be expanded with groups representing youth and "the poor", who had "as much right to be at the conference table as the farmers, unions and employers".³²

³¹ Fine Gael 1989; Labour Party 1989

³² FitzGerald articles quoted in McGinley 1999; Dukes on role for the Dáil, Dáil 19/06/90; Mitchell on youth and "poor", Dáil 28/11/89; "at the table", Dáil 14/03/90

Haughey's authority was damaged in the Presidential election of 1990 as he was humiliatingly forced to sack his Tánaiste while continuing to support him as candidate. He was further weakened by Lenihan's subsequent defeat. His position was finally fatally undermined as the Goodman "affair" escalated and a succession of real and construed scandals in semi-state boards ensued. He was soon a Taoiseach on sufferance, finally being forced to resign in February 1992, when he departed quoting Othello that he had "done the State some service".³³

When NESC's key report appeared in October 1990, it had been lauded by the *Irish Times* as a departure on a par with Lemass's *Programmes for Development*. But with the presidential election crisis instigated by a faux pas by Lenihan, opposition leaders used the report to attack Haughey, denouncing aspects of it and questioning the legitimacy of the NESC itself. The furore over the NESC's tax "proposals" has already been described. Ó hUiginn complained of "distorted" press coverage and of the launch of the council's report being eclipsed by the "controversial political events taking place at the time of its official release".³⁴

John Bruton, now a contender for the Fine Gael leadership, demanded from the NESC how it had arrived at its property tax proposals, and challenged its study of consensus institutions: "In a democracy legitimacy ultimately stems from the ballot box" and a "consensus" that excluded "elected political representatives" was not "a genuine consensus". Programmes that extended over the electoral cycle eroded parliamentary autonomy and bound incoming governments. NESC's mandate should be trimmed, and the council expanded to include politicians "as full members or observers". In the Dáil he attacked Haughey's appointment of an EC "observer" and department secretaries as in breach of the NESC constitution, and repeated FitzGerald's criticism that partnership threatened the "sovereignty of parliament", presenting it "with a fait accompli negotiated outside this house". Other front bench Fine Gael TDs warned that partnership had become "a Fifth Estate or third house", "more influential than the elected Houses" and pre-ordaining their legislative functions.³⁵

³³ Haughey in Ryle-Dwyer 1993, Maume 2007

³⁴ IT editorial, IT 26/10/90; Ó hUiginn in NESC Council Minutes, 23/11/90

³⁵ Bruton to Secretary, NESC, 01/02/91, Tony McCashin, Acting Sec., NESC, to Bruton, 01/02/91, and Bruton to McCashin, 11/02/91, in 'Additional Material Relating to Correspondence with Mr John Bruton TD', NESC Archive: Boxes 3 and 3c; Bruton, Jim Mitchell and Alan Shatter in the Dáil 30/01/91

Bruton's critique formed the most substantial and sustained criticism of the partnership system. Preparing the ground for an alternative government moved Labour to re-align towards Fine Gael's position and both parties to refine their critique. Quinn, closest among the Labour leadership to ICTU and chair of the ICTU-PLP "Liaison Committee", had applauded the NESC report and supported union endorsement of the PESP. But he now demanded that partnership be moved away from "secretive" meetings in "smoke filled rooms". Rather than the CRC, a Dáil Committee, "subject to democratic scrutiny", should oversee delivery of agreements. When the Industrial Relations Bill was being debated, he criticised as "a negation of the functions of this house" talks on amendments "behind closed doors" with social partners. He demanded that a Dáil committee oversee and give the PESP "some democratic underpinning". Fine Gael and ex-Workers' Party leaders rushed to support Quinn. Bruton suggested his proposed Dáil Committee also be involved in negotiating programmes, as otherwise these would tie the "legislative output of this House into a concordat in which [it] has no part". Rabbitte supported this idea, even suggesting the CRC be restructured to include politicians to "allow for a more public appraisal of progress".³⁶

This emerging joint opposition position, whether opportunist or idealistic, prefigured reforms later attempted by various coalitions. While further bodies such as the NESF would be established by the Rainbow government and the NESC expanded under a later FF-PD coalition, pay would stubbornly remain a central part of agreements and ideas for involving politicians in the oversight, let alone negotiation of agreements, would come to naught.³⁷

Haughey defended the system against its critics. He conceded more groups might be involved, though only if agreed by the existing social partners, and was not averse to a Dáil Committee discussing, though not negotiating, programmes. Normal government involved proposals to the Dáil often formed beforehand in discussion with concerned interests, he said, and Treaties also only came before the Dáil for ratification when already drafted. The NESC was not a negotiating body and its reports were public. Partnership agreements were subject to Dáil ratification, as were legislative measures proposed in them. Negotiations,

³⁶ Quinn applauds NESC/PESP, Dáil 19/02/91; "democratic underpinning", Dáil 06/02/91

³⁷ "glue", O'Donnell and Thomas 1998

already “complex enough”, would be “quite impossible” if Bruton’s “additional political dimension” were added. If that had been attempted in 1987 “we would never have got an agreement”. As if to illustrate his point, the Dáil thereupon descended into a disorderly tumult.³⁸

As Haughey’s authority waned, ministers began to revert to pre-1987 practices, “requesting” the NESC to undertake minor or politically sensitive studies on their behalf, such as a review of a postal service viability plan. But Haughey’s defence of partnership emboldened the system and at ICTU insistence the request from the minister for An Post was rejected by the NESC as “undermining” the purpose of the Council. The council proceeded to adopt a programme of work focused solely on strategic issues. It also rejected Bruton’s criticisms, responding that the NESC did not infringe parliamentary autonomy as “the Council as such is not involved in negotiations which lead to Programmes such as the PESP”. For it to be an effective forum, it required confidentiality, and would “not welcome participation by representatives of political parties”.³⁹

The NESC thus weathered the crises that preceded Haughey’s resignation, and would survive until 1997 without being restructured. But party conflict involving much point-scoring and pedantry weakened the political legitimacy of social partnership. Despite converging pragmatic cross-party acceptance of it, the critiques accusing it of lacking democratic legitimacy showed that there was little political appetite outside Fianna Fáil’s leadership circle for any further embedding of a “corporatist” system. These conflicts also demonstrated the continued primacy of party politics in determining the remit of the system.

Social partnership and equality politics: a case study

The PESP presented social partnership as the mechanism for a decade-long structural make-over of the state and economy, mobilising stakeholders in its implementation. It was all-encompassing, extending to areas few would have regarded as concerns of “collective bargaining”. This was Garret FitzGerald’s

³⁸ Haughey in Dáil 30/01 and 06/02/91

³⁹ On NESC work-programme, D. McCarthy, Director, NESC to Council Members, 22/02 and 20/03/91, Cassells to McCarthy, 05/03/91 and McCarthy ‘NESC’s Workprogramme’, 15/03/91, NESC Archive: Box 3c ‘Meetings’ and Council Minutes, 15/03/91; NESC rejects Bruton’s criticisms, Tony Cashin, secretary NESC, to Bruton 15/03/91, Council Minutes 15/02/91, NESC Archive: Box 3c

casus belli in his criticisms of the system. In contrast, Haughey suggested the social partners extend its parameters even further, including to proposals from the Law Reform Commission (LRC) established to tackle contentious areas of social policy such as family planning, equality, children, and marital breakdown. ICTU welcomed the suggestion, but other partners were more cautious, and the PESP incorporated only a few LRC recommendations, such as on prison reform and children's rights. But a deliberately vaguely-worded section of the PESP left open a way for partnership to play a role in enabling social reform. This section examines this in its role in the beginnings of reform towards gay rights.⁴⁰

The progressive liberalisation of Irish society on "social issues" from the early 1960s was abruptly halted in 1981 by a well-organised conservative counter-offensive targeting the divisive issues of abortion and divorce, but in fact aimed at reversing what it called the entire "liberal agenda". The vulnerability of politicians under the PR-STV system was exploited to cower and silence them.⁴¹

Haughey had regarded liberalisation as a corollary of modernisation, reflected in his 1960s reforms benefitting women, his establishing of the two Commissions on the Status of Women and even his "Irish solution" partially legalising contraception in 1979. Fianna Fáil had been a liberalising party in the 1960s until Fine Gael adopted a more liberal stance, culminating in FitzGerald's "Constitutional Crusade" of 1981. Fianna Fáil also retained a certain anti-clerical appeal, deriving from the time of the Treaty conflict. Lemass once said that however devout the electorate, he found a "political advantage in having a certain anti-clerical tinge", something to which Haughey was also not averse to appealing. When a Fine Gael TD demanded the inclusion of the "Conference of Major Religious Superiors" in social partnership, Haughey retorted that he was "always a bit doubtful" of any group with "'major' and 'superior' in its title".⁴²

The abortion/divorce conflict and the way it was framed presented Fianna Fáil, then struggling to retain its "dominant party" status, with a dilemma, leading Haughey to align with the majority anti-reform position. The party was

⁴⁰ On partnership and the Law Reform Commission, Haughey, 'Speech at the Cáirde Fáil President's Dinner', 04/12/1990, GIS: D/Taoiseach; ICTU, 'Meeting on Pay and Conditions, 17/12/90, 1990 - statement by Chris Kirwan, President', ICTU Archive: PESP-PW

⁴¹ On the PLAC/SPUC campaign targeting TDs, see O'Reilly 1992

⁴² Lemass in a taped interview with Dermot Ryan, UCD Archive P311; Haughey in Dáil 14/03/90

not innately “illiberal”, and had enacted many liberal reforms, but by 1985 its illiberal image had reached a nether with its rejection of Barry Desmond’s contraceptive reform bill, precipitating the founding of the PDs. The law on homosexuality, while open to abuse by the Gardaí, had never been enforced as in Britain and Fianna Fáil’s approach to public sensitivities had been reflected in President Childers’ gesture at the funeral in 1978 of popular actor, Micheál Mac Liammóir, when, as Richard Dunphy describes it, he “very publicly accorded” his lover, Hilton Edwards, “the respects due to a widow”. In the late 1980s, Haughey sought an escape from Fianna Fáil’s entrapment as the illiberal party. He viewed the LRC as a mechanism for further cautious liberalisation free from fractious political divisions, and believed this could be assisted by the “consensus” of social partnership. Mary Robinson’s presidential victory demonstrated the substantial public desire for liberal change if framed in equality terms and Haughey, when appointing the LRC, excluded clerical interests entirely from it.⁴³

Gay rights reform in the early 1990s presents an interesting example of how politics, social partnership and liberal reform interacted. Gay rights first achieved wide public attention when the European Court in 1988 upheld David Norris’s case that the Irish courts, in defending the 1867 act criminalizing “homosexual acts” on the basis of the Constitution’s “Christian values”, had breached his human rights. The Law Reform Commission proposed giving effect to the ruling by abolishing the act rather than reforming it as in Britain, and legislating for legal equality. Haughey, welcoming this, committed in 1990 to implement the recommendation, as “Fianna Fáil are sensitive to the changing needs of our modern society and ready to respond sensitively to them”.⁴⁴

In the event, with his authority waning, the reform was deferred as the Catholic-conservative faction supporting Reynolds’ bid for the leadership came to the fore in Fianna Fáil. It was eventually enacted by Geoghegan Quinn in 1993 under Reynolds’ Fianna Fáil-Labour coalition. The reform was shaped by an assiduous campaign led by activists through the unions and social partnership.

⁴³ “dominant party”, McGraw and O’Malley 2018; “precipitate PDs”, O’Malley, D. 2014: 149-55; Mac Liammóir funeral, Dunphy 1997: 261; Robinson strategy, Finlay 1998; “illiberal” image and LRC, Dunphy 1997: 254

⁴⁴ LRC proposals, Dunphy 1997: 253; Haughey response, ‘Speech by Taoiseach at Cáirde Fáil President’s Dinner’, 04/12/1990, GIS: D/Taoiseach

The gay community had been an invisible minority, and the opprobrium in which elite circles held it was such that that perpetrators of homophobic violence, including murder, were often treated lightly by “understanding” judges. Publicly gay activists were few, but they included a left wing circle who were also trade unionists. The first “National Gay Conference” was held in Cork in 1981 in the ITGWU’s Connolly Hall, typically, in terms of Irish social bonds, because Ger Philpott, the son of Cork ITGWU leader Taghd, was “himself a member of the [Gay Rights] Collective”. This event marked a coming-out of the community, and established the unions as an ally in securing their rights. Kieran Rose, a pioneering activist and LGPSU member, urged the community to pursue reform through ICTU’s advocacy of social equality and the equal treatment of workers and citizens, rather than as a separate identity. This won over the LGPSU president, Tom Brogue, a “left wing Catholic hugely sympathetic to us”, and “the great fixer” Phil Flynn, who sympathised with gay liberation.⁴⁵

The LGPSU was the first union to address the issue, adopting in 1982 Rose’s motion to amend employment law to include “sexual orientation” among the grounds of discrimination. With the support of Flynn and Brogue, and from two other unions, where fellow activists had also won support, Rose had the LGPSU position adopted by ICTU, where a speech by Flynn secured its acceptance.⁴⁶

Many union leaders remained cautious but in 1985 Flynn convinced the ICTU Executive to action its policy with a workshop on gay equality, which led to what Dunphy calls the “radical” policy, *Lesbian and Gay Rights in the Workplace: Guidelines for Negotiators*, the first ever on such an issue. This initiative led the EEA and the ICCL to now also take up the issue of employment equality. ICTU’s equality officer, Patricia O’Donovan, promoted the *Guidelines* with unions and in 1988 UPTCS secured a first agreement under it prohibiting discrimination in the civil service on the basis of sexual orientation. This was followed in 1990 by the Incitement to Hatred Act, the first law to include “sexual orientation” in its terms, and to the LRC proposing that this be extended to employment law generally.⁴⁷

⁴⁵ Interview, Kieran Rose

⁴⁶ LGPSU initiative, Rose, www.linkedin.com/pulse/lesbian-gay-right-work-1-kieran-rose; LGPSU Cork conference, *Irish Independent*, *Cork Examiner* 14/05/82; Flynn speech, Rose Interview

⁴⁷ “radical policy”, Dunphy 1997: 252; *Guidelines*, ICTU 1986; O’Donovan role, O’Donovan, ICTU, to D/Labour, 26.11.1986, O’Donovan to affiliated unions, 05.01. 1987; on EEA, Meehan (EEA) to Rose,

Rose's activists had formed the "Gay and Lesbian Equality Network" (GLEN) in 1988 to advance this agenda, working closely with ICTU on the *Guidelines*. It also convinced the FIE to concede the principle and declare that employers would welcome "legal clarity". The equality approach was boosted by the Robinson Presidential campaign, which had been built around the theme of social equality. These developments formed the background to Haughey's suggestion to negotiators that they include Law Reform Commission proposals in the PESP. Continued *de jure* criminalisation, however, meant civil servants cautioned against a "partnership" approach and the eventual equality provisions in the PESP only focused on women and disabled people. But a brief clause was included which opened the way for a general review of equality legislation.⁴⁸

The issue was progressed not only at social partnership policy level, but also in its practice. Gay activists secured for an SES project, "Gay Health Action", addressing HIV. As a project sponsor recalled, Department of Labour officials had advised against it after forceful intervention "at the highest level" from the Department of Justice opposing it as state "endorsement of homosexuality". But at the SES monitoring committee, which included sympathetic union figures like the ITGWU's Des Geraghty, Ahern "told the civil servants to get real, and no more was heard of opposition to the [project] being approved".⁴⁹

This progress through partnership led Labour, strongly lobbied by GLEN, to re-frame its 1991 Equal Status Bill to include "sexual orientation". When this, as an opposition bill, failed, ICTU complained to ministers of the "inordinate delay" in legislating gay law reform since the ECHR ruling. Progress further stalled after Haughey's departure when Reynolds, embroiled in renewed conflict over abortion, resisted GLEN/ICTU lobbying to take action on it.⁵⁰

But change came the following year with the Fianna Fáil-Labour coalition. While Labour's equality agenda was an important factor, those who reformed

08.05.1986, Rose Archive and Rose 2018; on civil service agreement, Interview Kieran Rose and Civil Service Circular 12/88, Rose Archive; LRC recommendation, Dunphy 1997: 253

⁴⁸ FIE statement in GLEN, 'Resource Materials on Lesbian/Gay Law Reform' 1992, Rose Archive; PESP "review", PESP IX

⁴⁹ Cathal Kerrigan, email 18/03/19

⁵⁰ On Labour bill, Rose, www.linkedin.com/pulse/equal-status-bill-1990-kieran-rose/; "inordinate delay", Cassells to M/Justice, 24.05.1991, Rose Archive; Reynold's inaction, Phil Flynn to M/Lab Brian Cowan, re Unfair Dismissals Act, 08.04.92; GLEN, 'Resource Material on Lesbian/Gay Law Reform' 1992 and GLEN, 'Unfair Dismissals Act', 1992; UPTCS, 'Unfair Dismissals Act Resource Pack' 1992, in Rose Archive

labour, services and homosexuality law were two women originally appointed by Haughey, Mary O'Rourke at the Department of Labour and Geoghegan Quinn at Justice. O'Rourke immediately initiated a "sweeping update" of equality law, as proposed under PESP, adding "sexual orientation" as a "ground" in all relevant laws. Geoghegan Quinn followed suit, and after meeting a GLEN delegation that included the mother of a gay man who made an emotional appeal for full equality, opted, to the "amazement" of activists and public alike, to abolish homosexual law entirely in favour of sexual equality, without the constraints on privacy and age of consent introduced in Britain. This occurred after GLEN urged her to ignore the "puritan British" approach and legislate "a true Irish solution". This "nationalist" approach appealed to Fianna Fáil, easing the path to reform. As one activist noted, "two Irish mothers had decided the issue between them".⁵¹

Gay politics would continue to progress through social partnership, first through recognition of gay socio-economic disadvantage through a partnership-endorsed CPA project and then through the Equality Authority and NESF. The development of the Irish "equality"-based social state initiated through partnership had resulted in progressive gay rights reform, leading to other progressive social reforms that would transform Ireland into a European equality leader. The issue illustrates the complex inter-relationship that evolved from 1988 between politics, partnership and reform, replicated in many areas.⁵²

Unruly offspring: partnership and the politics of poverty

Community groups and campaigning NGOs were to achieve a significant role in partnership politics, making the 1990s a "golden era" of "community development". Chapter 8 describes their emergence as players under the PNR in 1987-8 through ICTU's alliance with the sector and Haughey's acceptance of it as a driver of local institutional change, piloting local partnership-type initiatives in 1988. This role was institutionalised in the drafting phase of the PESP through initiatives under the EC co-funded NDP, and strongly legitimised by Mary Robinson's election as President. The "community and voluntary" sector was

⁵¹ O'Rourke's "sweeping update", interview Kieran Rose; "true Irish solution", Chris Robson, 'What we really want from Máire Geoghegan Quinn', *Gay Community News*, April 1993; "two Irish mothers", quoted in Dunphy 1997: 255-6

⁵² On GLEN projects and NESF/EA involvement, interview Rose, email from Eoin Collins, 01/04/19, O'Carroll and Collins 1995, Equality Authority 2002 and NESF 2003

without parallel in Europe, reflecting inadequacies of inherited institutions in Ireland. The PESP further institutionalised the sector, through the welfare budget forums, extending pilot IRD projects and initiating local “partnerships”.⁵³

What emerged was an institutional departure which would influence later EC policy, the IRD projects becoming a model for its “LEADER” Programme. In 1990, before the PESP, Delors had supported an initiative proposed by Ahern under the Irish Presidency for a “generously funded” additional EC “Special Initiative” for projects to combat urban unemployment, with “a large degree of discretion” for “local operators” in designing and implementing them. Ahern also launched an EC research programme on local development. Among the Irish projects selected under “Poverty 3” was PAUL in Limerick, chaired by Professor Joyce O’Connor, which combined statutory and community groups, including the local ICTU Centre, in a programme of “integrated measures to tackle poverty”. Ahern described “the basis of the strategy” as a “concerted integrated effort” by “local groups [working] in partnership with State agencies”.⁵⁴

Under the PESP, local “area based partnership companies” were piloted on this basis, encompassing welfare, education, employment, SES and enterprise projects. Boards representing communities, state agencies and social partners were established, assisted by a national co-ordinating body meeting in the Department of the Taoiseach. If successful, the initiative would be rolled out nationally. Following ratification of the PESP, Congress sought their speedy establishment and the CRC met community bodies to form the national body. Twelve such partnership companies – including PAUL in Limerick and three consortia in Dublin - were established, with Paddy Teahon of the Taoiseach’s Department co-ordinating the initiative.⁵⁵

Official bodies resisted conceding authority to such groups and even ICTU had initially not envisaged community-led projects, but rather consortia of agencies,

⁵³ “golden era”, Seánai Lambe, in interview with Dublin Inner City Group; “pilot projects”, Section VI/19

⁵⁴ Role of “Poverty 3”, Kelleher and O’Neil 2018; on Delors and Ahern’s initiatives, ‘Conclusion of EC Social Affairs Council meeting in Dublin’, 02/03/90, GIS: D/Labour and Gerard Collins, ‘Address to European Parliament’, 16/01/90, GIS: D/Finance; “research programme”, Ahern, ‘Speech to open Leda Programme Conference’, 21/03/90, Ahern, ‘Speech at opening of ERGO Seminar on action to combat long-term unemployment’, 15/05/90, and ‘EC Council of Social Affairs, Brussels’, 29/05/90, GIS: D/Labour; on PAUL alliance, Woods, ‘Minister launches Limerick EC Poverty Project to tackle unemployment’, 10/01/90, GIS: D/Social Welfare; “basis of the strategy”, Ahern, ‘Speech to open Leda Programme Conference’, 21/03/90, GIS: D/Labour

⁵⁵ “replicated”, PESP VIII; ICTU initiatives, ICTU AR 1991: 14, 51

public services and social partners, with the “community” represented by local ICTU representatives. The Department of the Taoiseach ensured a community-led structure, however, and used Brussels’ interest in a “high degree of local involvement” to force agency cooperation, with Teahon, at meetings with the Commission, often backing local leaders against civil service resistance. Haughey was also involved directly, coaxing authoritative figures to take on board chairmanships to ensure leverage with the state agencies. These included Mark Hely Hutchinson, retired ceo of the Bank of Ireland who had previously headed the Enterprise Group under the 1981 “Understanding”, at Dublin Inner City, and Pádraic White, just retired from the IDA, at Dublin Northside. Community activists rather than officials were recruited as managers, and put on senior salary scales to enhance their authority in dealing with public officials.⁵⁶

The partnerships were to have a chequered history and their effectiveness was impaired when official resistance in 1992 successfully reversed the pooling of agency budgets under them envisaged in the PESP. But they proved successful in mobilising communities and combining local groups and agencies in many innovative projects tackling social problems. Many significant innovations reforming welfare and labour market services, such as income disregards, women’s programmes, back-to-work schemes and the Local Employment Service, would emerge from them. They enhanced social inclusion in marginalised communities, and an OECD evaluation described them as pioneering a form of “participative democracy” of “potentially international significance”. From the mid-1990s they were extended nationwide, contributing to the introduction of locally delivered services and local government reform.⁵⁷

ICTU again worked in alliance with campaigning organisations, notably the CPA, in negotiating the PESP, with the Hierarchy assisting by promising ICTU a “Pastoral on Social Justice”. Catholic social theory remained a powerful influence, with Archbishop Kavanagh of Dublin, whose brother had been an FWUI official, a strong advocate of partnership. Government continued the pre- and post-budget

⁵⁶ Initial ICTU concept, CRC Sub-Grp on Job Creation, ‘Report to CRC, October 1989’, DTA: S26122-E, Cassells to Teahon, 12/01/90, DTA: S25857-Z1 and ICTU ADC 1990: 56-7; leveraging Brussels insistence on “local involvement”, h/w notes 18th CRC mtg. 21/09/89, DTA: S25857-W; Teahon at Commission meetings, David Connolly, in interview Dublin Inner City Group; Haughey interventions, Interviews with Pádraic White and Dublin Inner City Group

⁵⁷ Local partnership achievements and “participative democracy”, McCashin, 2004: 211, Sabel 1996

consultative “forums” initiated under PNR, and instituted the systematic grant-aiding of voluntary bodies. At EC level ministers show-cased the “unique” Irish State/NGO collaboration in “delivering social services and combating poverty” and the PESP committed to further systematise this relationship through a White Paper on the sector, an initiative often wrongly attributed to a later period.⁵⁸

The ICTU-NGO alliance had its tensions, as noted in chapter 8. While it strengthened Congress’s hand with government, ICTU remained wary of the sector’s growing influence and some ideas gaining favour within it, notably Fr. Healy’s “basic income for all” as an alternative to pursuing full employment. ICTU rejected this “post-industrial definition of labour and work” and a future “world without work”. Healy’s “Social Justice Office” and youth organisations such as the NYCI, with Fine Gael support, demanded a role in partnership negotiations and even on the CRC. Ó hUiginn advised Haughey to resist this, as ICTU was adamant that partnership not be “diluted” and the CRC remain confined to the “main” social partners. The changes sought by Healy and the NYCI were partly conceded by later governments, resulting, as ICTU leaders saw it, in social partnership becoming “swamped”, with hard-headed policy debate at the NESC and other forums being displaced by “idealistic speeches and impossibilist demands”.⁵⁹

As the unemployed organisation, the INOU, also gained momentum, it too sought a “voice” in partnership, proposing a “National Forum on Unemployment” similar to the New Ireland Forum. Union leaders lent support publicly to the concept but, again fearing “dilution” and another “talking shop”, and suspecting the INOU of not being an “authentic” voice of the unemployed, urged that the forum be confined to parties and the “main Social Partners, i.e. trade unions, employers and farmers”, with “views” being elicited from other “interested groups”. The Haughey governments therefore resisted the proposal, though it was later realised in weaker form in the NESF established under the Reynolds-Labour coalition. Haughey’s government involved the new sector in other ways short of a direct role in partnership, through Woods’ consultative forums,

⁵⁸ ICTU-CPA alliance, ICTU and CPA 1990e; “pastoral”, ICTU AR 1990: 59; Kavanagh role, Interview with John Sweeney; grant-aiding voluntary sector and White Paper, Ahern, ‘Address to the ETUC Press Group’, 28/06/90, GIS: D/Labour

⁵⁹ Healy and “minimum income”, Ward 1997: 247-8; ICTU position, ICTU ADC 1989: 44-5; seek role on CRC, Mitchell in Dáil 14/03/90; Ó hUiginn advice, ‘Briefing’ for Taoiseach for replies to PQs, 14/03/90, DTA: S25858-Z2; “swamping”, interviews with ICTU leaders

Ahern's appointment of INOU figures to project boards and the sector's role in the local partnerships. Irish NGOs became sector leaders at EC level, where Ireland came to be regarded as pioneering an innovative form of state-NGO interaction. This growing prestige saw the INOU to the fore in founding both the EC-wide "European Network of the Unemployed" and the "European Anti-Poverty Network". Both were given a rare and much coveted policy "consultative" status with the Commission by Jacques Delors.⁶⁰

ICTU also hoped, conversely, to revive its fading local-level influence through its NGO alliance, urging trades councils and ICTU unemployed centres to be active in local campaigns and on the new local partnership boards. While some activists took up this challenge, this ICTU ambition was never realised, despite the Left dominating the union movement at this level. Despite enormous union memberships, the pool of officials and activists interested in such local involvement proved small, and even the unemployed centres soon faded from the prominent local role ICTU had envisaged for them. Indeed, Left oppositionism continued to dog the movement locally as well. While ICTU at CRC level sought a significant expansion of the SES programme, it was to be embarrassed by left-wing unions blocking schemes in Cork and Dublin city councils. This involved the strongly anti-PNR union, the IMETU, which opposed SES as threatening job displacement despite a monitoring committee involving ICTU overseeing it. Even direct interventions by Ahern with Dublin and Cork city managers and Cassells with the IMETU failed to end the impasse until 1992.⁶¹

The local partnership and community development structures would face similar political hostility as the overall partnership system, especially from TDs jealous of their intermediary role between constituents and the state being usurped by the new local institutions. But government's fostering of the community sector, which initiated two decades of innovative local development, transformed local public services, inevitably leading to the sector ultimately being formally included in social partnership, a process much analysed in the

⁶⁰ INOU "forum", Allen, M. 1998: 288-92; ICTU proposals, ICTU ADC 1990: 43-4; "inauthentic", interview O'Donovan; INOU's EC role, *INOUE Bulletin*, June 1990, also information from Robin Hannan, Tony Monks

⁶¹ Exhorting a local union role, Des Geraghty in ICTU ADC 1989: 60-1; on ineffectiveness and fading of union local involvement, interviews with Inner City activists; on IMETU blocking SES, h/w notes 'CRC on 16/11/89', DTA: S25857-Y, 'Employment Scheme runs into Trade Union flak', *Business & Finance*, 03/05/90 and D/Labour, 'Government Action on Employment', 27/09/89, DTA: S25862-D

literature. But the basis for the sector's growth and the Europe-wide prestige it attained had been instigated, with ICTU support, by the Haughey circle already in 1987-88 and systematised by 1990, with he himself often intervening directly in shaping it. A movement with its origins in a community challenge to state institutional dysfunction was thus channelled through social partnership to help achieve institutional reform. Despite its often stormy relationship with that system, the sector played a key role in the re-formatting of Ireland's social services and local government system.⁶²

This chapter has attempted to demonstrate the constrained dynamics of social partnership as it began to consolidate as a new institutional paradigm. It also demonstrates the comprehensive societal impact of the new institutions, from shaping economic policy and the structures of the social state to influencing the emergent equality revolution that would become central in Irish politics. The economy would not finally take-off in terms of a radical expansion of employment until after 1993, but the trajectory of that take-off and the structural transformation of the welfare state that would follow was already clearly on course by 1991.

⁶² "TDs usurped", Kelleher and O'Neill 2018; on the community sector in partnership, Adshead 2011 and sources cited there

Conclusions

This thesis contends that the social partnership system initiated in 1987 proved a key institutional factor enabling the transformation of the Irish economy from one of Western Europe's poorest to one of its top performers in little over a decade. This was a policy paradigm shift, as profound as that of 1959-63, recasting the economy within a few years to a new model, its future characteristics clearly established by 1991 and the economic take-off on that basis indisputable from 1993. Charles Haughey was the central figure in that transformation, the political innovator who oversaw a socio-economic turnaround through tight control of government and a working alliance with key social forces. A modernising nationalist, in 1987-91 he finally realised a strategic approach he had developed over two decades in conjunction with business and union circles and had several times previously attempted to achieve.

This thesis fills an important gap in the literature on social partnership. Many studies have appeared on specific aspects of it, and an extensive literature has appeared in relation to its later role in policy making. There have been comparative studies with European models of "corporatism", whose main conclusion, however, has been the multiple "outlier" quality of what occurred in Ireland, requiring explanation in the specific domestic cultural-political factors that shaped it. In the absence of a detailed history of partnership, many studies have been hampered by an inadequate evidential base on its inception, pre-history and formative early years. This study seeks to provide, on the basis of rarely examined sources, a detailed tracing of the politics of partnership and the role of human political agency in its evolution.

The thesis refers to academic theories on what explains paradigm shifts in institutions, and how innovative forces achieve – or fail to achieve - profound institutional change at moments of crisis and uncertainty. The severe economic situation of the 1980s was not, ultimately, the core problem being addressed in the 1987 departure but rather the contingent event that enabled a long-pre-planned institutional paradigm to be affected in socio-economic policy and the structures of policy making. In such processes of radical change, agent-centred theories are more appropriate than structuralist analyses, while preceding and

subsequent institutions in equilibrium are arguably more amenable to structure-centred path dependency approaches. It is therefore the innovative process that is traced in this thesis, as the multiple streams of policy-making, social force interaction and political innovation converged at a moment of crisis. It identifies how plausibility for a major policy departure – especially with cautious opinion leaders among business and unions, political parties and the media – was achieved in this case by a policy innovator securing authoritative government power. It was Haughey's convincing control over party, government and the state apparatus in 1987 that accounts for why the radical institutional departure of social partnership, for which there was only weak precedent, achieved success, in contrast to his earlier similar initiatives.

The thesis explores the corporatist/anti-corporatist dichotomy that shaped alternate governments in Ireland in a consistent pattern from the 1920s to the 2000s. The particular form in which Irish party/social interest relationships developed pre-dated the foundation of the state. But political factors surrounding the birth of the Free State determined that while the two dominant parties that emerged cannot easily be characterised on a left/right basis, a clear socio-economic divide nevertheless soon separated them. A developmental alliance of rural and urban social forces formed the base of one, Fianna Fáil, with its high risk-taking instinct, while a reactive alliance of more conservative forces formed that of the other, what became Fine Gael. A small Labour Party, founded by the Irish Trade Union Congress before the state was established, espoused "social democracy". But, breaking from the unions, Labour developed a peculiar but persistent hostility to corporatism as a mere Fianna Fáil propaganda ploy. Its focus instead, usually in Fine Gael-led coalitions, would centre on expanding state welfare provision, rather than economic strategy. In this it differed from social democratic parties elsewhere, which championed corporatism, an anomaly mainly explicable by Irish Labour's electoral marginality.

As a minister and Taoiseach, Lemass portrayed business, unions and farming bodies as productive forces in their own right to be "harnessed" in a national economic endeavour. Fine Gael on the other hand viewed them as mere "interest groups" to be contained, and when in power downgraded and marginalised

tripartite planning bodies such as the NESC, minimised central bargaining to, at best, pay agreements, and restored policy-making to the sole preserve of government. While accepting consultative input from “social partners”, Fine Gael/Labour repeatedly dispensed with systems of structured cooperation, preferring for policy guidance the input of “independent” economic experts, but without achieving notable economic success as a result. Fianna Fáil remained the sole champion of a radical corporatism, though itself was consistently divided between corporatist minimalists and maximalists.

There were also important divisions within social interests. In business, the strong-sector lobby, CII, which had evolved from the 1930s state-oriented FIM, inherited a close relationship with the state, and was often a willing participant in corporatist strategies. Older Anglo-Irish commercial/financial interests were more detached and a recurrent problem for state policy, while strictly “employer” organisations, representing the mass of small businesses and domestic or British-market dependent exporters, were sceptical or even hostile, often having to be cajoled by government into tripartite arrangements. Farming bodies, while opposed to union influence over state policy, ultimately needed government as an ally to contain EEC or other policy threats, and tended to comply, however reluctantly, with tripartitism when it was in the ascendant. This pattern of state/interest relations also illustrates how the state, rather than major economic interests, formed the main driver of the Irish economy.

Trade unions, which in European terms organised a high proportion of workers, were also divided, again along a historic fault-line. In their case it was one between nationalist/republican-aligned general and public service sectors versus a more British-socialist oriented sectional, craft and Left wing that regarded corporatism as an unwelcome regimentation of labour market power and, ideologically, as “class collaboration”. Though both sides portrayed their approach in socialist terms, i.e. as in the general working class interest, the conceptual fault-line remained a fundamental one, producing an almost monotonously predictable 2:1 divide on the issue, though at moments of crisis this ratio could inverse. Unresolved aspects of the larger national question could also intervene, in an asymmetric manner, to exacerbate this internal division or

undermine cooperation with government, as happened the relationship between the hegemonic national-oriented union, the ITGWU, and the Lynch government following the latter's *volte face* on Northern policy in May 1970. This factor is central to understanding several turning points in the state/union relationship, not least the powerful position of trust Haughey achieved with the unions.

Haughey, a political rather than business innovator, was the central figure in a nationalist modernising circle espousing a specific socio-economic approach from the late 1950s. This led in 1982 to the "Way Forward" plan that laid the basis for the ultimately successful social partnership of 1987. Although this plan represented a departure for Haughey in that it initially proposed a unilateral state strategy, he was convinced by German social democratic chancellor, Helmut Schmidt, with whom he was allied at EC level, to persuade his circle to embed it in a social partnership framework, as he had his previous initiatives.

Analyses of Haughey's role in Ireland's economic modernisation have been overshadowed by an excessive focus on his personal finances, and how his "lifestyle" was supported by donations from a few wealthy people. Haughey's close relationship with some entrepreneurial circles was certainly important in influencing his private-sector driven approach to economic modernisation, but little evidence, as opposed to inferences, has ever emerged to support a claim that he was politically "corrupt", i.e. provided political favours for this personal financial support. This thesis contends that his personal financial relationships were of little consequence to his social partnership agenda, and are referred to only where relevant. There are also other aspects of Haughey's politics only briefly touched on, such as, apart from their EC dimension that was pertinent, innovations by him in foreign policy, or in other areas. The thesis focuses on his role in shaping the major socio-economic departure of his era, which it finds is quite adequately explicable in political and policy development terms.

The 1987 *Programme for National Recovery* (PNR) was a key event initiating both a partnership system and the subsequent economic take-off. It integrated budget strategy, social reform, industrial development and pay determination for the first time in a tightly interdependent structure. By providing real wage-value growth through its pay/tax formula, expanding welfare, legislating for industrial

relations and other reforms to establish industrial peace and promote labour quality, promoting a private sector dynamic in its economic strategies, exploiting opening opportunities such as in capital liberalisation and involving the social partners in core policy-making and economic management, it generated intangible capital strengthening total factor productivity and enabling the economic take-off, as was immediately recognised by both the OECD and EC. The thesis contends that these TFP factors played a far greater role than hitherto recognised in producing the “Irish economic miracle”.

Haughey, together with pro-partnership union and business leaders, was determined not only that the PNR succeed, but that it be institutionalised as a “permanent way of managing our affairs”. His sole precondition in negotiating his 1989 coalition with the “neo-liberal” PDs was that the PNR be continued and partnership become an enduring system. Structures initiated under the PNR were refined and completed first in a dramatic PNR review process in 1990 and then in the successor *Programme for Economic and Social Progress* (PESP) of 1991. The PESP was a 10-year plan which in addition to fine-tuning the PNR model, initiated an institutional transformation of the social state, consciously conceived as a convergence towards the “German model”. This arose from yet another NESC strategy report Haughey had initiated. Subsequent 3-year agreements in the 1990s, while introducing new elements, were essentially subsets of the 10-year PESP plan. After 1992 the system would be tweaked and tinkered with, sometimes with negative effects, but not changed fundamentally.

The “social peace” or pay bargaining aspect of partnership has too often been narrowly interpreted as its central feature. The thesis elucidates the key power shift that occurred within trade unionism from sectional to general interests, which came to a head in conflicts over apprenticeship, industrial relations and other input reforms that laid the basis for a general working class benefit in the subsequent economic expansion. The industrial relations aspect, described by critics as a “Faustian bargain”, was important in the political exchange of partnership, but not its primary driver. The thesis contends that primary driver to have been a common project to overcome a deep problem of both social and economic “underdevelopment”, its aims framed as achieving standards of living

and services equal to those of the best-performing small open European economies as a result of their post-war developmental transformation.¹

The thesis reveals the 3-stage plan of Haughey's circle in 1987 to realise the 1982 *Way Forward* strategy. This entailed an initial half-year free hand to achieve a radical monetary adjustment, followed by industrial policy initiatives pre-empting the PNR but tailored to facilitate a partnership agreement, and finally that partnership agreement itself, the "PNR", framing the immediate but also the planned longer-term goals and governance of the strategy. The 3-stage plan was almost identical to what had been attempted in 1982 but had failed due to Haughey's insufficient control over government and policy formation.

Haughey's strategy was a high-risk political gamble, his reputation dependent on its success. It required in turn the memberships of partner organisations to ratify it - far from a foregone conclusion. Successful ratification was barely achieved and would remain a precarious and unpredictable variable for several years. The intense political exchange within social partnership during 1987-91 was reflected in the extraordinary policy output of government and partner organisations - especially the ICTU and CII - and in the no less than seven highly charged ICTU national conferences and the intense Dáil conflict of those years.

The partnership alliance of 1987, as noted, was not based primarily on solving immediate economic problems, but rather addressing problems which the Lemass-era initiatives ultimately had not resolved. An ambitious, internationally trading business class and a functional policy system had failed to emerge, and many foreign assembly industries attracted under 1960-80 planning withdrew in the 1980s. The brief Haughey governments of 1980-82 initiated a policy revolution targeting these structural deficiencies, reconfiguring the National Understanding, centralising policy power in the Department of the Taoiseach and reviving the NESC as a strategy-making body. Even J.J. Lee - no admirer of Haughey - was impressed by the resulting policy output, "the first serious debate on industrial policy for more than twenty years". The focus of Haughey's strategy, including the work of the NESC, was to resolve the hiatus in which the economy found itself after the Lemass-era departure had run its course, with the

¹ "Faustian bargain", D'Art and Turner 2011

aim of finding a coherent strategy to replace it. This had emerged by 1982, as *The Way Forward*, but could only be implemented from 1987.²

The strategic agenda of social partnership gave it its deeply political character. This can be summarised as the oft-repeated achieving of “average” European standards of living and institutional and economic success comparable to that of other “small European open economies”. The institutional aspect included structures to reproduce “concerted” policy-making as in those states, i.e. a system of integrated state/economy strategy-production. It was this consensus goal, the thesis argues, rather than the pay/tax bargaining formula, that provided the real “glue” of social partnership, and it is noteworthy that this consensus began to dissolve and partnership to lose its common sense of purpose precisely as that primary goal was over-achieved by the early 2000s.

The structures and policies of post-1987 social partnership were remarkably similar to what certain political and interest circles had proposed since the late 1940s to drive an economic and industrial development. These involved national strategy being agreed by state and industry interests through a central council (later the NIEC/NESC), a centralised coordinating role for government, an agreed fiscal/monetary framework, integrated medium-term planning, sectoral growth strategies, an enabling – rather than passive - welfare state, business/labour economic power-sharing and agreement on resource allocation. In 1987-91 such an institutional departure was finally achieved through the PNR, with strategy formation by the NESC, policy coordinated centrally in the Department of the Taoiseach, and monitoring of implementation by a tripartite “Central Review Committee” (CRC). The Lynch/O’Donoghue First National Understanding had lacked all of these, despite the unions seeking them. But they had been inherent in Haughey’s first 1970 initiative and more fully in his attempted 1980-82 departure. How the concepts, management structures and policies implemented from 1987 were realised and how opportunities presented by the critical juncture of 1987-91 enabled their realisation form the heart of this study. The issue of labour/capital economic power-sharing is also examined, and its wilful prevention in industry identified as a critical institutional limitation.

² Lee 1989: 504

Haughey's EC strategy was inspired, combining - as urged by the NESC though already inherent in his own 1980-82 plan - a maximalist European-integrationist position aligned to the core pro-integration powers, particularly Germany. Disparate EC Structural Fund inputs were framed in a novel form as a "National Development Plan", itself an innovation in EC terms, integrated with the PNR, and subordinated to the PNR's social partnership system. This enthused Delors, at that time facing strong anti-integration opposition, and resulted not only in Ireland securing the highest rate and per capita level of structural intervention but also a range of regulation exemptions enabling the Irish private sector-led or co-funded PNR model to be substantially expanded. The Ireland-Commission alliance formed to drive the NDP, described by Delors himself as "unique in the history" of the EC, would become the model for EC assistance to emerging member economies. Haughey cemented the alliance through several imaginative personal-political initiatives, notably on German unification during the 1990 Irish Presidency, itself a high-point of his years as Taoiseach.

A distinguishing feature of Ireland's social partnership was how it integrated a liberal-economic but state-*dirigiste* mixed-economy model with substantial social-state expansion and social reform. This integrated linkage was insisted upon by ICTU in particular, but was in fact integral to Haughey's essentially social democratic philosophy. Through the PNR of 1987, a model deepened and completed by the PESP of 1991, a long-term programme of social/institutional transformation, strategic planning innovation, employment growth, expanded private and state enterprise, a remodelling of social/educational provision and an equality-based approach to social reform was set in train. The combined economic/social policy strategy, with a mixed economy developing by exploiting the global opening, high-regulation, and an expanding enabling welfare state, was consciously conceived as a realisable answer to Ireland's challenges arising from late industrialisation. It was also conceived as an alternative route to modernity and growth to the "monetarist" or social-state contraction strategies adopted elsewhere and espoused in Ireland by many opposed to social partnership and still wedded to a Whitaker-style state-guided but *laissez faire* development paradigm. Despite significant but ultimately minority opposition to the strategy within business and union circles, the key institutions of partnership

– the NESC and CRC – ensured its structural viability, long-term policy perspective and the delivery of its programmes’ commitments.

The government/partnership strategy proved flexible and open to innovation, quickly evolving to exploit opportunities for industrial restructuring, new policies at EC level in support of the Single Market and, especially, opportunities presenting through a newly global financial system. Problems in the domestic industrial sector were overcome by the state-*dirigiste* policy system changing priorities and direction. The thesis establishes many of the details of the emerging economic model and how essential sectoral and other modifications to it were engineered during the decisive 1987-91 period.

As the economic model was proving successful and beginning to assume an autonomous dynamic, especially from late 1990, but job creation had as yet to overtake attrition in declining industries and demographic pressures continued to expand the labour force, social state innovation became an ever more urgent concern of partnership. High skills loss through emigration and geographically concentrated deprivation emerged as singular challenges to state and society. The shift of focus to these areas and away from core economic strategy would inaugurate a certain mission drift that would later become more pronounced. Nevertheless, many novel initiatives developed in response to the social crisis through the dual economic/social strategy of social partnership would become one of its defining characteristics, making it a model of international significance. This was particularly so as social partnership had seemed so counter-intuitive at a time when other states were retreating from or dispensing entirely with “corporatism”, let alone, as in Ireland, ambitiously extending its functions.

This thesis contends that the establishment of social partnership in 1987 represented an institutional rupture, and that the economic transformation achieved in the 1990s “Irish miracle” cannot be explained without understanding the key role social partnership played in enabling it. It does not argue that partnership per se, or alone, *caused* the economic take-off, but does contend that the two processes were inextricably interlinked and mutually reinforcing, with key elements of the latter enabled through the frameworks provided by the former. It also argues that in the short period of 1987-91 virtually all major

economic and social policy aspects of the later “Celtic Tiger” were initiated, their course, trajectory, and even many of their details, clearly established. In arguing this, the thesis reveals key policy-making events shaping initiatives such as the IFSC and urban renewal programmes, the inspired strategy adopted towards the EU, as well as key changes in sectoral policy towards indigenous industry, the semi-states and FDI that drove the ultimate take-off. It also traces parallel decisions taken that shaped the social state that emerged through partnership.

The thesis, in theoretical terms, identifies the multiple streams in politics, political and interest relations, historical and cultural precedents, and exogenous and domestic factors that converged to enable the institutional departure in economic and political policy of social partnership in 1987-91. It establishes the primacy in that institutional rupture of political agency, i.e. the critical role of dominant figures and leaders. While the analysis of politics and political process can be pursued scientifically, politics itself, and especially leadership, is, as Hans Morgenthau famously put it, “an art, and not a science, and what is required for its mastery is not the rationality of the engineer but the wisdom and the moral strength of the statesman”. The thesis charts the role of political leadership and even statesmanship, alongside that of the “engineers” as well as structural factors, in shaping the departure of 1987-91.³

The thesis contends that Haughey’s role in the economic and social transformation initiated in 1987-91 was comparable to that of Lemass in the previous decisive paradigm shift of 1959-63. Yet while Lemass’s *Programmes for Expansion* are accorded near iconic paradigm-changing status in the dominant historical, political and economic literature, the transformative *Programme for National Recovery* and *Programme for Economic and Social Progress* agreed under Haughey’s leadership are unjustifiably passed over as largely irrelevant. The findings of this thesis challenge this, and in doing so also fundamentally challenge dominant narratives explaining both the “Haughey era” and the Irish economic take-off.

³ Morgenthau 1946: introduction

Addenda

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Appendix A

Membership of the Central Review Committee, 1990

(The following was the membership per Feb. 1990. There were only minor changes during 1987-92, traceable in the attendance record in Appendix C) ¹

Government Departments

<i>Chair:</i>	Pádraig Ó hUiginn, Sec. D/Taoiseach
<i>Agriculture and Food:</i>	Thomas Arnold, Chief Economist
<i>Finance:</i>	Noel T. O’Gorman, Asst. Secretary
<i>Industry and Commerce:</i>	Seán Dorgan, Asst. Secretary
<i>Labour:</i>	Kevin Bonner, Asst. Secretary
<i>Taoiseach:</i>	Paddy Teahon, Asst. Secretary
	Colm Regan, Special Devpt. Projects Advisor

Confederation of Irish Industry (CII)

Liam Connellan, Director General
Con Power, Director of Economic Policy
Dr. Andrew O’Boyle, Director of
Industrial Policy

Confederation of Irish Industry (CII)

Thomas Reynolds, Managing Director
George Hennessy, Economist

Federation of Irish Employers (FIE)

John Dunne, Director General
James O’Brian, Director

Irish Co-Op. Org. Society (ICOS)

John Tyrrell, Director General
Séamus O’Donoghue, Director

Irish Farmers Association (IFA)

Allan Gillis, President
Michael Berkery, General Secretary

Mancra na Feirme (MnF)

Larry Fallon, President
Tony Garahy, Chief Executive

Irish Congress of Trade Unions (ICTU)

William Attley, ICTU Exec. & Joint Gen.
Pres., SIPTU
Edmond Browne, ICTU Exec. & Pres., SIPTU
Phil Flynn, ICTU Exec. & Gen. Sec., LGPSU
Gerry Quigley, ICTU Exec. & Gen. Sec., INTO
Peter Cassells, General Secretary, ICTU
Patricia O’Donovan, Asst. Gen. Sec., ICTU

CRC Secretariat

Patrick O’Sullivan, Department of the Taoiseach
Derek Dignam, Department of the Taoiseach

¹ Membership from: Central Review Committee 1990: 25-6. First names have been substituted for initials in the original

Appendix B: CRC attendance under the PNR 1987-90

	1st 18/12/87	2nd 21/01/88	3rd 18/02/88	4th 24/03/88	5th 28/04	6th 26/05	7th 30/06	8th 08/09	9th 26/10	10th 30/11
1988										
Chair Ó hUiginn, Sec D/T.	/	/	/	/	/	/	/	/	/	/
C/S:										
J. Loughrey, Asst Sec D / A&F:	/	/	/	/	/	/	/	/	/	/
Niall O'Gorman, Asst Sec. D/F	/	/	/	/	/	/	/	/	/	/
R Woulfe, Asst Sec. D/I&C:	/	/	/	/	/	/	/	/	/	/
K Bonner, Asst Sec. D/Lab	/	/	/	/	/	/	/	/	/	/
B.Campbell, AS Env.	/	/	/	/	/	/	/	/	/	/
P Teahon, Asst Sec. D/T	/	/	/	/	/	/	/	/	/	/
Sean Donnelly - D/T specially appointed monitor SSB job creation	/	/	/	/	/	/	/	/	/	/
Others										
CII:										
L. Connellan DG	/	/	/	/	/	/	/	/	/	/
C. Power Dir Econ Pol	/	/	/	/	/	/	/	/	/	/
CIF										
T Reynolds [Man.Dir]	/	/	/	/	/	/	/	/	/	/
G Hennessy [economist]	/	/	/	/	/	/	/	/	/	/
FUE:										
Dr J O'Brien, Div Dir	/	/	/	/	/	/	/	/	/	/
IFA										
T Clinton Pres	/	/	/	/	/	/	/	/	/	/
M Berkery GS	/	/	/	/	/	/	/	/	/	/
ICOS:										
J Whelan, Dep. DG	/	/	/	/	/	/	/	/	/	/
Macra:										
F O'Ferrall ceo,	/	/	/	/	/	/	/	/	/	/
P Walshe, Pres.	/	/	/	/	/	/	/	/	/	/
ICTU										
Quigley (Pres and INTO)	/	/	/	/	/	/	/	/	/	/
Kirwin (Treas. and ITGWU)	/	/	/	/	/	/	/	/	/	/
Attley (FWU)	/	/	/	/	/	/	/	/	/	/
Flynn (LGPSU)	/	/	/	/	/	/	/	/	/	/
E Browne (Vice-Pres ITGWU)	/	/	/	/	/	/	/	/	/	/
Nevin (GS)	/	/	/	/	/	/	/	/	/	/
Cassells (AGS)	/	/	/	/	/	/	/	/	/	/
Secretariat:										
J Travers D/T	/	/	/	/	/	/	/	/	/	/
P O'Sullivan D/T	/	/	/	/	/	/	/	/	/	/
Sec Group: 05/10/88 - Teahon (chair); O'Gorman & Tutty, D/F; O'Brien FUE; McGrath CIF; Power CII; Nagle Dairty Cttee ICOS; O'Ferrall MnF; Cassells/O'Donovan ICTU; Sect: O'Sullivan										

1989	11th 11/01/89	12th 14/02	13th 14/03	14th 19/04	15th 18/05	16th 22/06	17th 27/07	18th 21/09	19th 19/10
C/S: Ó hU, Sec. D/T.	/	/	/	/	/	/	/	/	/
J. Loughrey, Asst Sec.D/ A&F:	Tom Arnold PO	/	/	/	/	/	/	/	/
Niall O'Gorman, Asst Sec. D/F	/	O'Gorman	/	/	/	/	/	apol, rep: Joe Mooney	O'Gorman
M Tutty AS, D/F	/	/+ AS Quigley Tutty	/	Tutty	/	/	/	/	/
Other D/F	/	/	/	/	G Carroll	/	Fallon	/	C. Gallagher PO
R Woulfe, Asst Sec. D/I&C:	S. Dorgan AS	/	/	/	P Bates PO	/	/	/	Dorgan
K Bonner, Asst Sec. D/Lab	/	/	John Corcoran	0	Bonner + T. Hayden	Bonner	/	/	/
Other D/Lab	/	/	/	/	/	/	/	/	/
D/Educ	/	/	0	/	T Gillen AS	/	/	/	/
P Teahon, Asst Sec. D/T	/	/	/	/	/	/	/	/	/
D/T Spec Devpt Proj Off [SSB] -	Sean Donnelly	Colm Regan	Regan	/	/	/	/	/	/
P O'Shaugh D/T - CRC Secretariat	0	/	0	0	0	0	0	0	D. Dignam
P O'Sullivan, D/T - CRC Secretariat	/	/	/	/	/	/	/	/	/
Other CS	/	/	/	/	/	/	/	/	/
CIF:	0	/+Conn	/	/	apol	/	apol	/	/
L. Connellan DG	/	/	Terry Larkin	Power	/	/	/	/	/
C. Power Dir Econ Pol	O'Boyle	/	/	/	apol	/	/	/	/
A O'Boyle, Dir Ind pol	/	/	/	/	/	/	/	/	/
CIF	/	/	/	/	/	/	/	/	/
T Reynolds [Man.Dir]	Greene	0	Greene	Hennessy	Reynolds	0	0	0	0
George Hennessy [economist]	/	/	Ted Fitzgerald	0	Hennessy	/	/	/	/
FUE:	/	/	/	/	/	/	/	/	/
Dr J O'Brien, Div Dir	/	/	/ [Jim]	apol	apol	0	0	0	apol
John Dunne, DG	/	/	/	/	/	/	/	/	/
IFA	/	/	/	/	/	/	/	/	/
T Clinton Pres	/	/	/	0	0	0	/	/	apol
M Berkery GS	/	/	/	0	0	Lucey	/	/	+Lucey apol
ICOS:	/	/	/	0	0	/	/	/	/
J Whelan, Dep. DG	/	Tyrrell	Mel Gibbons	0	J. Tyrrell DG-des	Malachy Prunty Dir	0	apol - J. Tyrrell DG-des	apol
2	/	Seamus O'Donoghue, Dir	/	/	/	0	/	/	apol
Macra:	/	/	/	/	/	/	/	/	/
F O'Ferrall ceo,	Tony Garahy ceo	/	/	/	0	/	apol ["at function	apol	apol
P Walshe, Pres.	/	/	/	0	Larry Fallon, Pres	0	apol down country"]	apol J. Maloney DG	/
ICTU	/	/	/	/	/	/	/	/	/
Quigley (Pres and INTO)	/	/	/	/	0	/	0	/	/
Kirwin (Treas. and ITGWU)	0	0	0	0	0	0	0	0	0
Attley (FWUI)	/	/	0	/	/	/	/	/	/
Flynn (LGPSU)	/	0	0	/	/	/	apol ["abroad"]	apol	apol
E Browne (Vice-Pres ITGWU)	/	/	0	/	/	0	0	/	/
Nevin (GS)	/	O'Don	/	/	apol	0	/	/	/
Cassells (AGS)	/	/	/	/	/	/	/	/	apol

1989-90 [members per 12/89]

20th 16/11/89

21st 21/12

22nd 16/01/90 23rd 13/02

24th 12/03

25th 26/04

C/S: Ó hUiginn, Sec. D/T (Chair)	/	/	/	/	/
D/ A&F: Tom Arnold PO, chief econ	/	/	/	/	/
D/F: Noel T. O'Gorman, Asst Sec.	apol - rep J Higgins PO	/	/	/	/
Attend: M Tutty AS, D/F	/	/	/	/	/
Other D/F attend	J McCaffrey PO / + J Fitzgerald AS	/ + C Connolly PO	/ + C Connolly PO	/ + C Connolly PO	/ + C Connolly PO
D/I&C: S. Dorgan AS	/	/	/	/	/
D/Lab: K Bonner, Asst Sec.	/	/	/	/	/
Other D/Lab attend	John Corcoran AS	0	-	C. O'Feintheadha PO	/
Other CS attend:					
D/Educ	Ms Mary Maguire PO	Tom Gillan AS	M. Maguire	/	/
D/SW	J Hynes As/B Flynn APO		B Flynn	/ now PO	T Quirke PO
Other	Henry Murdock, Ass-DG, FÁS	FAS-D/Egy-H-SW-T&T-Rev. C. FAS-Engy, Env, T&T		D McCarthy PO D/H, Murdock FAS	J Mooney As T&T
D/T: P Teahon, Asst Sec.	0	/	/	/	/
D/T Spec Proj Devpt Off Colm Regan -	/	/	/	/ [now "Advisor"]	/
CII:					
L. Connellan DG	apol	/	/	/	apol
C. Power Dir Econ Pol	/	apol	apol	/	/
A O'Boyle, Dir Ind. pol	apol	/	apol	apol	/
CIF					
T Reynolds [Man.Dir]	apol	apol	apol	-	-
George Hennessy [economist]	apol	/	/	/	apol
FILE:					
John Dunne, DG	/	/	/	/	apol
Dr J O'Brien, Div Dir	/	/	/	/	/
IFA					
T Clinton Pres	0	0	A Gillis Pres	-	-
M Berkery GS	0	Lucey apol	Berkery	/	Lucey
ICOS:					
J Moloney DG/ Tyrrell DG-des	0	[Tyrrell] apol	-	-	-
ICOS-2	O'Donoghue,	/	/	apol	/
Macra:					
Larry Fallon, Pres	/	apol	/	-	-
Tony Garahy ceo,	/	apol	/	-	/
ICTU					
Quigley (GS INTO)	/	/	-	/	/
Attley (GS FWU)	/	/	-	/	/
Flynn (GS LGPSU)	/	apol	-	/	-
E Browne (Vice-Pres ITGWU)	apol	apol	/ Int-Pres, SIPTU	/	-
Cassells (GS)	/	/	/	/	/
Patricia O'Donovan (AGS)	O'Don	/ (+ Mulvey ASTI)	/	apol	/

1989-90, [members per 12/89]	26th 25/05/06	27th 21/06	28th 19/07	29th 28/09
C/S: Ó hUiginn, Sec. D/T.	/	/	/	
D/ A&F: Tom Arnold PO, chief econ	/	/	/	
D/F: Niall O'Gorman, Asst Sec.	/	/	/	apol - rep Jim Higgins
Attend: M Tutty AS, D/F	/	-	-	apol - rep Philip Dolgan
Other D/F attend	J McCaffrey/WP Ryan POs	McCaffrey	/	
D/I&C: S. Dorgan AS	apol - rep: B McCabe APO	Dorgan	/	
D/Lab: K Bonner, Asst Sec.	apol	apol	apol rep John Fallon	apol - rep Cathal Ó'Feinneadh
Other D/Lab attend	Cathal O'Feinneadh PO	/	/	
Other CS attend:				
D/Educ	Ms M McGuire PO	/	/	
D/SW	B. Flynn PO, Tim Quirke AP	Flynn+Mangan	Andy McGarrigal	
Other	[D/H T O'Mahoney PO, B Mullen AP; D/T&T Mooney AP]	Higgins D/H	Quirke D/H	
	Murdoch FAS, Hanna IDA, Logue IDA IFS, Casey NRB] T Costello FAS		Hanna/Logue IDA	
D/T: P Teahon, Asst Sec.	/	-	/	apol
D/T Spec Proj Devpt Adv Colm Regan -	/	/	/	
CIH:				
L. Connellan DG	/	apol	/	
C. Power Dir Econ Pol	/	/	-	
A O'Boyle, Dir ind pol	/	/	/	apol
CIF				
T Reynolds [Man.Dir]	-	-	-	
George Hennessy [economist]	/	apol	-	
FILE:				
John Dunne, DG	/	apol	apol	
Dr J O'Brien, Div Dir	/	/	/	
IFA				
T Clinton Pres	-	-	-	
M Berkery GS	B Barry Ass. GS	Lucey	-	
ICOS:				
J Moloney DG/ Tyrrell DG-des	-	-	-	
ICOS-2	Seamus O'Donoghue, Dir	-	apol - rep Pat O'Neill	
Macra:				
Larry Fallon, Pres	apol - rep: B Brogan Ag.Pol.Off	apol Fallon	apol Fallon	
Tony Garahy ceo,	apol	apol	/	
ICTU				
Gerry Quigley (GS INTO)	/	/	/	
Attley (GS FWUI)	/	-	-	apol
Flynn (GS LGPSU)	apol	-	/	
E Browne (Vice-Pres ITGWU)	apol	apol	apol	apol
Cassells (GS)	/	/	-	
Patricia O'Donovan (AGS)	/	-	/	

Appendix C: Pay rounds and party preference, 1945-2001¹

There was no national bargaining prior to WW2, but wage orders under emergency legislation in 1941-46 established a "national" approach

Round	Year	Nat. Agrmt.	Free Bargaining	Govt. parties	Comment
1	1946-47	✓		FF	First Labour Court-adjudicated round, with JLC rates for some sectors.
2	1948-50	✓		FF	TU/FUE "Joint Statement" guides rates
3	1951-52		✓	FF	No agreement
4	1952-54	✓		FF	CTU-FUE agreement on max. rates
5	1955-57		✓	FF	No agreement
6	1957-59	✓		FF	First full "Joint Agreement" PUTUO-FUE
7	1959-60		✓	FF	No deal, but coordinated "movements"
8	1961-63		✓	FF	No deal, but coordinated "movements"
9	1964-65	✓		FF	ICTU/FUE "Joint Recommendation" on rates
10	1966-67	✓		FF	ICTU and Labour Court set max. rate guideline
11	1968-69		✓	FF	No coordination
12	1969-70		✓	FF	Craft and sector agreements only
13	1970-72	✓		FF	1 st NWA, after failure of Haughey plan. FUE-ICTU wage deal only
14	1972-73	✓		FF	2 nd NWA, with "cost of living escalator". FUE-ICTU wage deal only
15	1974-75	✓		FF	3 rd NWA. FUE-ICTU wage deal only, and govt. "as employer"
16	1975-76	✓		FF	4 th NWA, with informal budget linkage
17	1976-77	✓		FF	5 th NWA, with informal budget linkage
18	1977-78	✓		FF	6 th NWA, with separate socio-econ. policy talks
19	1978-79	✓		FF	7 th NWA, with separate socio-econ. policy talks
20	1979-80	✓		FF	National Understanding. Govt. as partner and soc.-ec. policy dimension
21	1980-81	✓		FF	2 nd National Understanding. Govt. as partner, soc.-ec. policy and NESC role
22	1981-82		✓	FF	NU breaks down; Public Sector Pay agreement only
23	1983-86		✓	FF	Public Sector Pay agreements only
24	1987-90	✓		FF	PNR. Comprehensive partnership agreement
25	1991-93	✓		FF	PESP. 2 nd comprehensive partnership agreement
26	1993-96	✓		FF	PCW. 3 rd comprehensive partnership agreement
27	1997-2001	✓		FF	P2000. 4 th comprehensive partnership agreement

¹ Information on pre-1980 rounds from Nevin ed. 1980: 160-7

Acronyms and abbreviations

ACOT	An Chomhairle Oiliúna Talamhaíochta [Agricultural Training Council]
AEU	Amalgamated Engineering Union
AFF	An Foras Forbartha [Research and Development Agency]
AFT	An Foras Talúntais [Lands Agency]
AGEMOU	Automobile, General Engineering and Mechanical Operatives' Union
AHSC	Association of Higher Civil Servants
AIA	Anglo-Irish Agreement (1985)
ALCE	Adult Literacy and Community Education Scheme
AnCO	An Chomhairle Oiliúna [National Training Council]
AR	Annual Report
ASTI	Association of Secondary Teachers in Ireland
ASTMS	Association of Scientific, Technical and Managerial Staffs
ATGWU	Amalgamated Transport and General Workers' Union
AUEW	Amalgamated Union of Engineering Workers
BATU	Building and Allied Trades Union
BFAU	Bakery and Food Workers Amalgamated Union
B&ICO	British and Irish Communist Organisation
<i>BJIC</i>	<i>British Journal of Industrial Relations</i>
BSE	Bovine Spongiform Encephalopathy ["Mad Cow Disease"]
C&A	Conciliation and Arbitration Service
CAP	Common Agricultural Policy
--	Community Action Programme
CBF	Córas Beostoic agus Feola [= Irish Livestock and Meat Board]
CBI	Confederation of British Industry
CHDDA	Customs House Docklands Development Authority
CIDB	Construction Industry Development Board
CIÉ	Córas Iompar Éireann (= Irish National Transport Board)
CIF	Construction Industry Federation
CII	Confederation of Irish Industry
CIO	Committee on Industrial Organisation
CIU	Congress of Irish Unions
CIU-CC	Congress of Irish Unions – Central Council
CMS	Committee of Ministers and Secretaries
CORI	Conference of Major Religious Superiors
CPGB	Communist Party of Great Britain
COIG	<i>Church of Ireland Gazette</i>
CORI	Conference of Religious of Ireland

CPA	Combat Poverty Agency
CPI	Communist Party of Ireland
CPNI	Communist Party Northern Ireland
CPSSU	Civil and Public Services Staff Union
CRC	Central Review Committee
CSET	Comhlucht Siuicre Eireann Teo [= Irish Sugar Co.]
CTT	An Córas Tráchtála [Irish Export Board]
CUI	Communications Union of Ireland
CYTP	Community Youth Training Programme
D/	Department of
DDA	Dublin Diocesan Archive
DEPD	Department of Economic Planning and Development
Dept. I&C	Department of Industry and Commerce
Dept. T.	Department of the Taoiseach
DFA	Department of Foreign Affairs
DL	Democratic Left
DSP	Democratic Socialist Party
EBR	Exchequer Borrowing Requirement
EC	European Council
--	European Community
--	Executive Council (ICTU)
EDD	Economic Development Division (formerly Branch), Dept. Finance
EEC	European Economic Community
EETPU	Electrical, Electronic, Telecommunications and Plumbing Union
EFTA	European Free Trade Association
EIB	European Investment Bank
ELC	Employer Labour Conference
EMS	European Monetary System
EMU	European Monetary Union
EPA	Environmental Protection Agency
ERDF	European Regional Development Fund
ERO	Employment Regulation Order (Labour Court)
ERP	European Recovery Programme
ERU	Environmental Research Unit (Dept. of the Environment)
ESB	Electricity Supply Board
ESF	European Social Fund
ESRI	Economic and Social Research Institute
ETU	Electrical Trade Union
EU	European Union

FÁS	An Foras Áiseanna Saothair (Employment and Training Authority)
FDI	Foreign Direct Investment
FF	Fianna Fáil
FIM	Federation of Irish Manufacturers
FIE	Federation of Irish Employers
FII	Federation of Irish Industries
FT	Foir Teoranta (Industrial Rescue Agency)
FUE	Federated Union of Employers
FUGE	Federation Union of Government Employees
FWUI	Federated Workers' Union of Ireland (also: WUI)
GDP	Gross Domestic Product
GIS	Government Information Service
GLEN	Gay and Lesbian Equality Network
GNP	Gross National Product
GS	General Secretary
GSO	Government Stationary Office
H&W Exec.	Health and Welfare Divisional Executive (LGPSU/IMPACT)
IAOS	Irish Agricultural Organisation Society
IBOA	Irish Bank Officials' Association
ICEU	Irish Customs and Excise Union
ICMSA	Irish Creamery Milk Suppliers Association
ICOS	Irish Cooperative Organisation Society (Farming Coops)
ICTU	Irish Congress of Trade Unions
ICTU-ADC	ICTU: Proceedings of the Annual Delegate Conference
ICTU-AR	ICTU: Annual Report of the Executive Council
ICTU-EC	ICTU Executive Council
IDA	Industrial Development Authority (IDA Ireland)
IEA	Institute of European Affairs
IEC	Irish Employers Confederation
IFA	Irish Farmers' Association
IFSC	International Financial Services Centre
IFUT	Irish Federation of University Teachers
IHSB	Irish Hospital Services Board
<i>II</i>	<i>The Irish Independent</i>
IIEA	Institute for International and European Affairs
IIRS	Institute for Industrial Research and Standards
ILHS&A	Irish Labour History Society Library and Archive
IMETU	Irish Municipal Employees Trade Union
IMI	Irish Management Institute

IMPACT	Irish Municipal, Professional and Civil Trade Union
INO	Irish Nurses Organisation
INOUE	Irish National Organisation of the Unemployed
INP&DTU	Irish National Painters and Decorators Trade Union
INPC	Irish National Petroleum Corporation
Int.	Interview
INUUGATA	Irish National Union of Vintners, Grocers and Allied Trades Assistants
INTO	Irish National Teachers Organisation
<i>IP</i>	<i>The Irish Press</i>
IPA	Institution of Public Administration
IPC	Irish Productivity Centre
IPS	<i>Irish Political Studies</i>
IPU	Irish Print Union
IR	Industrial Relations
IRA	Irish Republican Army
IRD	Integrated Rural Development
<i>IRNR</i>	<i>Industrial Relations News Report</i>
<i>IT</i>	<i>The Irish Times</i>
ITGWU	Irish Transport and General Workers' Union
ITUC	Irish Trade Union Congress
JLC	Joint Labour Committee (Labour Court)
<i>JSSISI</i>	<i>Journal of the Statistical and Social Inquiry Society of Ireland</i>
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale [= EC rural economic development programme]
LG Exec.	Local Government Divisional Executive (LGPSU/IMPACT)
LGPSU	Local Government and Public Services Union
LRC	Labour Relations Commission [of Labour Court]
--	Law Reform Commission
<i>LS</i>	<i>Limerick Socialist</i>
LTU	Long-term unemployment
MNF	Macra na Féirme (Young Farmers' Movement)
MPGWU	Marine Port and General Workers Union
MSF	Manufacturing, Science and Finance Union
NABCO	National Association of Building Co-operatives
NADCORP	National Development Corporation
NAI	National Archives of Ireland
NBU	National Busmen's Union
NCCAP	North City Centre Community Action Programme
NDC	National Development Corporation

NDP	National Development Plan
NEC	National Executive Council
NEETU	National Electrical and Engineering Trade Union [?]
NESC	National Economic and Social Council
NGA	National Graphical Association
NIEC	National Industrial and Economic Council
NMW	National Minimum Wage
NPB	National Planning Board
NUJ	National Union of Journalists
NUT&GW	National Union of Tailors and Garment Workers
NWA	National Wage Agreement
OECD	Organisation for Economic Cooperation and Development
OEEC	Organisation for European Economic Cooperation
OPW	Office of Public Works [of D/Finance]
P2000	<i>Partnership 2000 for Inclusion, Employment and Competitiveness.</i>
PAYE	Pay As You Earn (Payroll Tax)
PCW	<i>Programme for Competitiveness and Work</i>
PDs	Progressive Democratic Party
PEP	Political and Economic Planning, London
PESP	<i>Programme for Economic and Social Progress</i>
PLAC	Pro-Life Amendment Campaign
PNR	<i>Programme for National Recovery</i>
PPF	<i>Programme for Prosperity and Progress</i>
PRSI	Pay Related Social Insurance
PSEU	Public Service Executives Union
PSMD	Public Service Management and Development Section, Dept. Labour
PTR	Pupil-Teacher Ratio
PTWU	Postal and Telecommunications Workers' Union
PUTUO	Provisional United Trade Union Organisation
RTC	Regional Technical College
RTÉ	Radio Telefís Éireann (= Irish National radio and Television)
SDLP	Social Democratic and Labour Party
SEA	Single European Act, 1986
SES	Social Employment Schemes
SFADCo	Shannon Foreign ... Development Company
SFWP	Sinn Féin The Workers' Party
SIPTU	Scientific, Industrial, and Professional Trade Union
SME	Small and Medium Enterprises
SPUC	Society for the Protection of the Unborn Child

SRTC	Sligo Regional Technical College
SSBs	State-Sponsored Bodies/Semi-State Bodies
<i>ST</i>	<i>The Sunday Tribune</i>
SWM	Socialist Workers Movement
T2016	<i>Towards 2016. Ten-Year Framework Social Partnership Agreement</i>
TASS	Transport Salaried Staff Association
TCD	Trinity College Dublin
TFP	Total Factor Productivity
TUC	Trade Union Congress
<i>TUI</i>	<i>Trade Union Information</i> (Irish Congress of Trade Unions)
UCD	University College Dublin
UCATT	Union of Construction, Allied Trades and Technicians
UCD	University College Dublin
UNICE	Union of Industrial and Employers' Confederations of Europe
UPTCS	Union of Professional and Technical Civil Servants
VEC	Vocational Education Committee
VET	Vocational Education and Training
VPTP	Vocational Preparation and Training programmes
VTOS	Vocational Training Opportunity Scheme
WCL	Waterford Chrystal Ltd.
WG	Working Group
WP	The Workers Party (formerly Sinn Féin and SFWP, subsequently DL)
WUI	Workers' Unions of Ireland (also: FWUI)

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ARCHIVAL SOURCES AND PRIVATE PAPERS

Note on archival references: Some series of minutes much quoted in this study, notably those of ICTU's Executive Council and of the NESC Council, are referenced simply by the dates of such meetings, and occasionally the agenda item. The ICTU-EC minutes up to February 1987 are in the NAI and from March 1987 in the ICTU Archive, as detailed below. Other material from these sources, including hand-written notes of meetings ("h/w notes") on which minutes are based, are given full archival references, as is all material from other archives, and minutes of CRC meetings, cabinet and other organisations.

charlesjhaughey.ie	Haughey family website archive
Cook Papers	Papers of Senan Cook, formerly ATGWU, Waterford Glass
DCA	Dublin City Archive: CPI Records of the Communist Party of Ireland
DCU	Dublin City University Archive: B&ICO British & Irish Communist Collection
DDA	Dublin Diocesan Archive: AB8-B Papers of Archbishop J.C. McQuaid
DTA	Department of the Taoiseach Archive 1984-97: OHP Pádraig Ó hUiginn Private Papers S25150-A IFSC. Development. Feb.-June 1987 S25281-D to E PNR. Development, 1987 S25306 IFSC. Development. 1987-91 S25857-A to Z9 PNR-CRC, mtgs./secretariat, 1987-90 S25858-A to Z9 PNR, Follow-Up, Oct. 1987 – Jan. 1991 S25861-A PNR 1987. Prep.: Talks with Farm Orgs. S25862-A PNR 1987. Rev./Mon. Cttee. ICTU. Dec. '87 S25862-D Govt. officials mtg. with ICTU, 08.11.1989 S25862-E Taoiseach-ICTU mtgs., Nov.-Dec. '89 S25862-F Taoiseach-ICTU mtg. 23.01.1990 S25862-G Taoiseach-ICTU mtg. 27.03.1990 S25865-A to C PNR. State Sponsored Bodies S25870C Mtg. w. ICTU 18/5/1988, 27/5/88 S25871 PNR 1987. Prep.: Mtgs. Govt.-ICTU on Pay S25874 and-75 PNR. Prep.: Mtgs. Govt-CII-FUE, 1987 S25899-A to C PNR. Central Review Cttee. - EEC Aspect S26122-A to F CRC. Sub-Grp Job Creation 1989 S26462 CRC Sub-Grp Unemploy. Persons Disability

	S26694	CRC Wkng Grp/Beef Industry, Sept-Dec. '90
Flynn Papers		Papers of Phil Flynn, former GS, LGPSU/IMPACT, Pres. ICTU
Geraghty Papers		Papers of Des Geraghty, former Pres., SIPTU, Vice-Pres. ICTU
GIS		Government Information Service: Press releases on behalf of Ministers/Depts., 1980-94
ICTU Archive		Archive of the Irish Congress of Trade Unions: EC Minutes of ICTU Exec. Council mtgs., 1987- GS- Records of the General Secretary: PA-1a Pay Agrmt., National Pay Talks – Pay. 1987 PA-1b Pay Agrmt., inc. SDC 17/11/87 PA-1d Pay Agrmt., PNR 1987-90 PN 1-2 Partnership Negotiations, 1987-2000 PESP-PWG PESP Pay/Conditions Wrkng. Group, 1990
ILHS Archive		Irish Labour History Society Library and Archive: O'Shannon Cathal O'Shannon Papers Cardiff Paddy Cardiff Papers LGPSU- Records of LGPSU inc. mins. CEC, Exec. Board, H&W and LG Div. Execs., 1970-90
IMPACT Archive		Archive of IMPACT Trade Union (now Fórsa): CEC Meetings of Central Exec. Cttee. 1991-99
NAI		National Archives of Ireland: CIU Council of Irish Unions, Central Cncl., Boxes 105-6 PUTUO Prov. United T.U. Org., Central Cncl., Boxes 105-6 ICTU EC ICTU Executive Council mtgs., 1959-87. (Boxes 106-11, G4/82/44-49 – G4/84/1) TAOIS. Records of Department of the Taoiseach
NLI		National Library of Ireland IQA Irish Queer Archive O'Brien Papers, William O'Brien, ITGWU gen. sec. 1916-59
NESC Archive		National Economic and Social Council Archive: Boxes 1-14 Correspondence, records, Council minutes (inc. h/w notes) and papers of NESC, 1976-99
Rose Archive		Papers of Kieran Rose, former director GLEN
SIPTU Archive		SIPTU College Archive: Publications, misc. records, articles, papers, circulars (SIPTU Devpt. Div. records were disastrously lost in 2014)
Sligo IT Archive		Sligo Institute of Technology Power Papers of Con Power, CII chief economist 1978-93

UCD Archive	University College Dublin Archive
	P150 De Valera Papers
	P175 Whitaker Papers
	P176 Fianna Fáil Papers
	P180 Tony Heffernan Papers (Workers' Party)
	P311 Lemass interviews w. Dermot Ryan, 1967-9
WikiLeaks	www.wikileaks.org, online archive: US diplomatic cables, Ireland 1966-2014.
Yeates Papers	Records/interviews of Pádraig Yeates, historian, on partnership

INTERVIEWS WITH AND INFORMATION FROM WITNESSES

[Note on interviews: Interviews are referenced in footnotes simply by "Int." or "Interview with", and interviewees' names, with first name/initial where needed. Some anonymous interviews were held and these are identified as "anon."]

Ahern, Bertie	Interview of 12.02.2016. Former Minister, leader of Fianna Fáil and Taoiseach (1997-2008)
Attley, Bill	Interview of 26.06.2015. Former Gen. Sec., FWUI, SIPTU, ICTU President, member of Labour Party, NESC, EESC etc.
Begg, David	Interview of2016. Former Gen. Sec., CWU and ICTU, ceo Concern, Board member Central Bank and Irish Times Trust
Brett, Eoin	Interview of 17.04.2017. Former Fianna Fáil activist and colleague of Charles Haughey in the FCA
Broderick, Larry	Statement at ICTU seminar, Nov. 2016. Gen. Sec., IBOA, Financial Services Union, ICTU EC member
Bruton, John	Telephone conversation of. Former leader, Fine Gael, Taoiseach (1994-96), EU Ambassador to the US
Calendar, Roisín	Interview of 19.04.2013. Former economist ITGWU, SIPTU, former B&ICO, Workers' Party, advisor to Min. SW de Rossa
Cassells, Peter	Interview of 09.05.2015. Former General Secretary, ICTU, member of NESC, CRC, NCPP
Connolly, David	Interview of 21.02.2018. Former manager Dublin Inner City Partnership, former SIPTU organiser
Creedon, Michael	Information from period with Centre for Social Justice and as manager, Ballymun Job Centre
Flynn, Phil	Interview of 20.11.2013. Former Gen. Sec., LGPSU, IMPACT, President ICTU, former Vice-President, Sinn Féin
Geraghty, Des	Interview of 19.04.2013. Former Nat. Sec. ITGWU, President SIPTU and ICTU, Workers' Party MEP
Hannan, Robin	Information given, 2015-16. Former Director, EAPN Ireland
Haughey, Charles	2005. Notes of an interview with Dr. Eoin O'Malley, kindly made available to the author

Inner City Group Group interview of 21.02.2017 with David Connolly, Seáníe Lambe, Kathleen O'Neill and Mick Rafferty

McCarthy, Dermot Interview of 28.05.2013. Former Sec. Gen., D/Taoiseach, Sec. to Govt., 2001-12, Director (1991-01), Chair (2001-16) NESC

McCarthy, Stephen Interview of 10.07.2014. Former ICTU Industrial Officer

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Nugent, Kate Interview of 15.02.2016. Former constituency secretary to Charles Haughey

O'Connell, Maurice Telephone conversation of 28.06.2013. Former chairman, Central Bank of Ireland.

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O'Leary, Jim Interview of 22.12.2016. Former econ. advisor to Taoiseach G. FitzGerald, NESC economist, Benchmark. Cttee, Davy's, AIB

Ó Raghallaigh, Feargas Information of Oct. 2010. Former ITGWU official, RTÉ journalist, special advisor to Minister Pat Rabbitte

O'Riordan, Manus Note of a conversation of 10.10.2015. Former Head of Research, ITGWU, SIPTU, member NESC; B&ICO (1971-82)

O'Sullivan, Turlough Interview of 21.12.2016. Former DG of FUE and IBEC

Power, Con Interview of 19.12.2016. Former economist CII/IBEC, N.U. monitoring cttee., CRC, NESC, econ. advisor D/Taoiseach

Rose, Kieran Interview of 14.03.2019. Former director GLEN, Impact activist, Dublin city planner, board member Equality Authority

Sammon, Frank Interview of 26.07.2013. Former director, (Jesuit) Centre for Faith and Justice

Swift, John Interview 20.05.1984. Former bakers' union leader, Pres. ICTU

Teahon, Paddy Interview [awaited]. Former Asst. Sec., Sec. Gen., D/ Taoiseach, Chair, NESC

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